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A	BIO-VASCULAR INC	10Q	04-30-92
B	BUSINESS DATA GROUP INC	10Q	03-31-92
C	C SQUARE VENTURES INC	10Q	02-28-92
D	FARM & HOME FINANCIAL CORP	10Q	03-31-92
E	FARMERS NATIONAL BANCORP INC (IL)	10Q	03-31-92
F	GLENDALE BANCORPORATION	10Q	03-31-92
G	GOODY PRODUCTS INC	10Q	03-31-92
H	HORIZON BANKS INC	10Q	03-31-92
I	JUDICATE INC	10Q	03-31-92
J	KINLAW ENERGY PARTNERS CORP	10Q	02-29-92
K	LINCOLN LOGS LTD	10Q	04-30-92
L	NATEC RESOURCES INC	10Q	03-31-92
M	NATIONAL HEALTH ENHANCEMENT SYSTEMS INC	10Q	04-30-92
N	POPE RESOURCES	10Q	03-31-92
O	PROTEIN DATABASES INC	10Q	03-31-92
P	SANDWICH CHEF INC	10Q	03-28-92
Q	SAN VAL INC	10Q	02-29-92
R	SBM CERTIFICATE CO	10Q	03-31-92
S	SEA GALLEY STORES INC	10Q	03-22-92
T	STRATEGIC DISTRIBUTION INC	10Q	03-31-92
U	SOUTHMARK SAN JUAN INC	10Q	03-31-92
V	WAYNE BANCORP INC	10Q	03-31-92
W	WESTERN ENERGY RESOURCES INC	10Q	03-31-92
X	XEDAR CORP	10Q	03-31-92
Y	XELEX INC	10Q	03-31-92

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended April 30, 1992

Commission File Number 0-13907

PROCESSED BY
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BIO-VASCULAR, INC.

State of Incorporation: Minnesota
I.R.S. Employer Identification No.: 41-1526554

Principal Executive Offices: 2670 Patton Road
St. Paul, Minnesota 55113
Telephone Number: (612) 631-3529

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ______

On May 28, 1992, there were 5,495,705 shares of the Registrant's $.01 par value common stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIO-VASCULAR, INC.
BALANCE SHEETS

ASSETS

	April 30, 1992 (unaudited)	October 31, 1991
Current Assets		
Cash and cash equivalents	$1,130,167	$ 879,098
Marketable securities	2,610,260	2,608,087
Accounts receivable, net of allowances for doubtful accounts	762,007	657,269
Inventories		
Raw materials	159,817	134,581
Work in process	162,629	237,768
Finished goods	515,205	389,106
Prepaid expenses and other current assets	131,273	133,957
Total Current Assets	5,471,358	5,039,866
Fixed Assets		
Equipment, including capitalized leases	814,746	624,655
Accumulated depreciation	(293,951)	(240,109)
Net Fixed Assets	520,795	384,546
Other Assets		
Intangibles, net of accumulated amortization of $536,088 for 1992, and $441,681 for 1991	1,243,720	1,334,266
Other Assets	18,182	18,182
Total Other Assets	1,261,902	1,352,448
TOTAL ASSETS	$7,254,055	$6,776,860

BIO-VASCULAR, INC.
BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	April 30, 1992 (unaudited)	October 31, 1991
Current Liabilities		
Accounts payable	$ 183,342	$ 142,801
Accrued payroll liabilities	113,079	77,315
Accrued expenses	113,012	68,473
Total Current Liabilities	407,433	288,589
Shareholders' Equity		
Common stock, $.01 par value; 10,000,000 shares authorized; shares issued and outstanding: 5,495,705 at April 30, 1992 and 5,432,276 at October 31, 1991	54,957	54,323
Additional paid-in capital	8,732,295	8,655,326
Accumulated deficit	(1,940,630)	(2,221,378)
Total Shareholders' Equity	6,846,622	6,488,271
Total Liabilities and Shareholders' Equity	$7,254,055	$6,776,860

BIO-VASCULAR INC.
STATEMENTS OF OPERATIONS

	Three Months Ended April 30, (unaudited)		Six Months Ended April 30, (unaudited)	
	1992	1991	1992	1991
Net Sales	$1,174,534	$902,714	$2,067,669	$1,610,509
Cost of Sales	430,413	386,167	773,854	663,725
Gross Profit	744,121	516,547	1,293,815	946,784
Operating Expenses	575,519	480,570	1,118,062	883,816
Income from Operations	168,602	35,977	175,753	62,968
Other Income (Expense)	50,470	(23,804)	104,995	(46,659)
Net Income	$219,072	$ 12,173	$280,748	$ 16,309
Per Common Share Data:				
Net Income	$ .04	$ -	$ .05	$ -
Weighted average number of common shares outstanding	5,556,525	3,870,504	5,552,022	3,869,053

BIO-VASCULAR, INC.
STATEMENTS OF CASH FLOW

	Six Months Ended April 30, (unaudited)	
	1992	1991
Cash flows used by operating activities	$ 369,591	$(39,914)
Cash flows from investing activities:		
Purchases of fixed assets	(190,091)	(43,253)
Additions to intangibles	(3,861)	(1,477)
Investments in Marketable Securities	(2,173)	-
Total cash used in investing activities	(173,466)	(84,644)
Cash flows from financing activities:		
Proceeds from issuance of debt	-	23,500
Payments on debt	-	(16,004)
Proceeds related to the exercise of options and warrants	77,603	11,156
Cash provided by financing activities	77,603	18,652
Increase (decrease) in cash and cash equivalents	251,069	(65,992)
Cash and cash equivalents at beginning of period	879,098	183,842
Cash and cash equivalents at end of period	$1,130,167	$ 117,850

BIO-VASCULAR, INC.

NOTES TO FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended April 30, 1992 are not necessarily indicative of the results that may be expected for the year ending October 31, 1992. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report to Shareholders and in Form 10-K for the year ended October 31, 1991.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Sales[1] for the quarter ended April 30, 1992 were $1,174,534, an increase of 30.1% over sales of $902,714 for the quarter ended April 30, 1991. At the six months ended April 30, 1992 sales were $2,067,669, 28.4% greater than sales of $1,610,509 for the six months ended April 30, 1991.

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[1] During the quarter ended April 30, 1992, management of the Company undertook a review of the classification of its expenses, and as a result, decided to reclassify certain items of expense. These reclassifications were from accounts in general and administrative and selling expense, and specifically were: commission expense, product liability insurance, and some supplies and telephone expense. With the exception of commission expense, the reclassifications were made to cost of goods sold and have the effect of lowering the gross margin. Commission expense reduces sales as a result of the reclassification. These 1991 and first quarter 1992 expense amounts have been reclassified to conform to the presentation adopted with the quarter ended April 30, 1992.

The sales mix at the six months ended April 30, 1992 was 71% domestic and 29% international and was consistent with the quarter ended January 31, 1992. Over the last year the sales mix has shifted towards the larger domestic market. At the six months ended April 30, 1991 domestic sales accounted for 59% of total sales, while international sales were 41% of the total.

Domestic sales are up 56.3% in the quarter and 51.2% at the six months ended April 30, 1992 when compared to the quarter and six months ended April 30, 1991. International sales are down 7.6% in the quarter and 9.9% in the six months ended April 30, 1992 when compared to the same periods of the previous year. The Company attributes this apparent decrease in international sales to a change in the pattern of international sales which has resulted in timing differences between the same periods of this fiscal year when compared to the last fiscal year. The Company believes that this diverging international sales pattern is a result of the Company's decision to discontinue "end of the quarter" international sales promotions. The old international sales pattern displayed low valleys in the first month of a quarter and high peaks in the third month of a quarter; representing distributor anticipation of and response to these "end of quarter" incentives. Preliminary indications show a developing pattern of international sales which displays reduced peaks and valleys. The Company believes that there is a greater recognition level for its products, which has subsequently reduced the need for incentive programs of the type it had used. As an example of this changing pattern, at the seven months ended May 31, 1992, international sales are up 8.3% when compared to the seven months ended May 31, 1991. As the new international sales pattern is just developing, more time must pass before it can be firmly established.

Sales of Flo-Rester, Peri-Guard, and the Dardik Biograft are up 26.8%, 37.7%, and 1.6%, respectively, and sales of the Robicsek Vascular Probe are up 433.3% at the six months ended April 30, 1992 when compared to the six months ended April 30, 1991. Due to the fact that there was only one month of sales of the Probe at April 30, 1991, and there were six months of sales of the Probe at April 30, 1992, a more meaningful measure of the Robicsek Vascular Probe's growth can be illustrated by comparing an average month's sales for the seven months during which the Probe was sold in the fiscal year ended October 31, 1991, and an average month's sales for the six months in which the product was sold this fiscal year: the six months ended April 30, 1992. This comparison still shows a substantial sales growth for the Robicsek Vascular Probe, with an average month's sales (time frames defined above) increasing 144.3%.

The Company developed a new soft-tissue patch in fiscal 1991, identified as Supple Peri-Guard. Sales of this product, which is still not available for sale in the United States, were immaterial in the quarter and six months ended April 30, 1992.

Sales of the Bioflow Small Diameter Graft, which is not approved for sale in the United States, are down 21.1% at the six months ended April 30, 1992 when compared to the same period last year. The Company attributes this decrease in sales to the changing pattern of international sales described previously. With regard to the Bioflow Small Diameter Graft, the Company also continues to believe that until there is substantial longer-term data available on the performance of this product, its market will continue to be a limited market, and as such is sharply sensitive to changes in the environment in which it is sold, in the distribution network through which it is sold, and to the timing of the placement of orders. By way of illustrating this sensitivity and again giving early indications of a changing international sales pattern, sales of the Bioflow Small Diameter Graft are down 10.5% at the seven months ended May 31, 1992 when compared to the seven months ended May 31, 1991, a substantial improvement compared to April 30, 1992 when sales of this product were down 21.1%.

In March of 1992, the Company received approval from the FDA to begin clinical trials of the Bioflow Small Diameter Graft in the United States. This approval allows two investigative sites and a total of fifteen (15) implants. The process of regulatory approval for a product such as the Bioflow Small Diameter Graft is long (a probable minimum of three years) and arduous. The FDA requires this rigorous testing to ensure the benefit and propriety of critical products such as the Bioflow Small Diameter Graft before they can enter the market in the United States.

Sales of the Company's products are a function of demand, and while the Company believes its products and the technology supporting its products will be viable for several decades, the highly technical nature of the medical industry and the considerable research in this industry make competing technologies possible. The Company or its competitors may develop and successfully bring to market new technologies which will reduce or eliminate demand for the Company's existing technologies and products. However, given the rigorous regulatory environment to which the Company's products and those of its competitors are subjected, management believes it will generally take a number of years to significantly reduce or eliminate the demand for its existing products.

The gross margins[2] for the quarters ended April 30, 1992 and 1991 were 63.4% and 57.2%, respectively. The gross margin for the six months ended April 30, 1992 was 62.6% and compares to a gross margin of 59.4% at the six months ended April 30, 1991. The improvement in the Company's gross margin arises from two sources.

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[2] See footnote 1 on page 6.

First, the Company is still making gains in production efficiency, especially in the manufacturing of the Dardik Biograft. While the Company is still selling the Dardik Biograft from inventory layers produced before much of this efficiency was achieved, the effect of some of these gains flows to the gross margin in the form of positive variances when measured against the standard cost. Secondly, some of the Company's products are being produced at levels that are beginning to show positive production volume variances. However, at this time, most of the gain due to positive production volume is currently balanced out by other production factors. The Company believes that the gross margin will continue, in the long term, to show some improvement as the continuing efficiencies of the Dardik Biograft production flow through the cost of goods sold, and as the relatively stable gross margins of its other products are positively impacted by increasing levels of production. The Company has experienced, and may still experience small shifts in the gross margin percentage as a result of shifts in the sales mix, but these shifts would not be expected to have a material effect on the gross margin.

The Company pursuant to certain agreements currently pays royalties on a number of its products at various percentage rates. These agreements expire at varying dates. All royalties are calculated as a percentage of net sales and are classified as a part of the cost of sales. The Company believes that its current gross margins can be maintained or improved, irrespective of the royalties.

Operating expense[3] in the quarter ended April 30, 1992 was $575,519, an increase of 19.7% when compared to the quarter ended April 30, 1991. However, operating expense as a percent of sales declined from 53.2% in the quarter ended April 30, 1991 to 49.0% in the quarter ended April 30, 1992. Operating expense in the six months ended April 30, 1992 was $1,118,062 compared to operating expense of $883,816 in the quarter ended April 30, 1991. This is an increase of 26.5% in dollars, but when operating expenses in the six months ended April 30, 1992 and 1991 are measured as a percent of sales, they are essentially the same. Operating expense as a percent of sales for the six months ended April 30, 1992 and 1991 was 54.1% and 54.9%, respectively. The increase in dollars of operating expense represents a general "ramping-up" related to the increased level of business activity. The increases are across all categories of operating expense, both general and administrative and selling expense.

Operating income for the quarter ended April 30, 1992 was $168,602, a 368.8% increase over operating income of $35,977 for the quarter ended April 30, 1991. Operating income for the six months ended April 30, 1992 was $175,753 compared to operating income of $62,968 at April 30, 1991, a 179.1% increase.

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[3] See footnote 1 on page 6.

The Company had significant interest income and no interest expense in the quarter and six months ended April 30, 1992. This is a result of the Company's successful warrant call in August of 1991, which netted $4,455,433. The Company then used some of the proceeds of this warrant call to pay off all their debt, including a $1,000,000 note owing to Meadox Medicals, Inc. with interest at the prime rate, and various equipment notes with interest rates up to 12.5%. After the payment of all its debt, the Company had approximately $3,500,000 in cash remaining, the majority of which was and is invested in U.S. Government securities. During the quarter and the six months ended April 30, 1991, the Company incurred interest expense as a result of the notes mentioned above. Interest income at the quarter and six months ended April 30, 1992 was $50,470 and $104,995, respectively. Interest expense (net of interest income) for the quarter and six months ended April 30, 1991 was $23,804 and $46,659, respectively.

The Company had net income of $219,072, $.04 per weighted average common share outstanding for the quarter ended April 30, 1992. This compares to net income of $12,173, less than $.01 per weighted average common share outstanding at April 30, 1991. For the six months ended April 30, 1992 net income was $280,748, or $.05 per weighted average common share outstanding in the period. This is an increase of 1621.4% over net income of $16,309, which was less than $.01 per weighted average common share outstanding at April 30, 1991. Increased sales, improved margins, the decrease in operating expense as it relates to sales, and interest income, all contributed to the increase in net income.

Liquidity and Capital Resources

Cash and cash equivalents and marketable securities (U.S. Treasury bills and notes) together, have increased by $253,242 at April 30, 1992 to $1,130,167 and $2,610,260, respectively, when compared to cash and cash equivalents of $879,098 and marketable securities of $2,608,087 at October 31, 1991.

Working capital at April 30, 1992 was $5,063,925 compared to working capital at October 31, 1991 of $4,751,277. The current ratios at April 30, 1992 and October 31, 1991 were 13.4 to 1 and 17.5 to 1, respectively.

Accounts receivable at April 30, 1992, net of allowance for doubtful accounts of $20,000, had increased to $762,007 from $657,269 net of the same allowance at October 31, 1991. The increased level of accounts receivable is a direct result of the Company's increasing level of sales. The Company has had very little bad debt, and believes this will continue to be the case.

Inventory has increased to $837,651 at April 30, 1992 from $761,455 at October 31, 1991. This increase in inventory is representative of the Company's efforts to maintain inventory levels of finished goods consistent with expected levels of demand.

Management of the Company believes that its current working capital of $5,063,925 at April 30, 1992, along with anticipated positive cash flow from operations of this next fiscal year and future fiscal years, will provide the cash required to meet the Company's operational needs through the end of this fiscal year and the foreseeable future.

The Company has purchased $190,091 of fixed assets since October 31, 1991. Most of this expenditure has been for the computer system, general use software, and manufacturing and accounting software. The Company is already seeing early benefits in efficiency from this new system. While the Company is always prepared to acquire capital assets, e.g., new products and/or new technologies that would contribute to shareholder value, it has made no such commitment at this time.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

None

ITEM 2. Changes in securities.

None

ITEM 3. Defaults upon senior securities.

None

ITEM 4. Submission of matters to a vote of security holders.

None

ITEM 5. Other information.

None

ITEM 6. Exhibits and reports on Form 8-K.

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIO-VASCULAR, INC.

M. Karen Gilles

June 10, 1992

By
M. Karen Gilles
Vice President of Finance/CFO
(Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992

Commission File No. 2-83353

BUSINESS DATA GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-2431014
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2166 South 12th Street, Suite 100, Allentown, PA	18103
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: 215-797-5097

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of securities, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock	2,010,000
Series A Preferred Stock	1,000

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BUSINESS DATA GROUP, INC.

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Condensed Statements of Cash Flows - Three Months Ended March 31, 1992 and 1991 5

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BUSINESS DATA GROUP, INC.
Statement of Operations
(UNAUDITED)

	Three Months Ended March 31 1992	Three Months Ended March 31 1991
Net Sales	$187,417	$362,276
Cost of Sales	160,818	218,184
Gross Profit	26,599	144,092
Selling Expense	32,684	43,979
General and Administrative Expenses	65,175	58,726
	97,859	102,705
Income (loss) from operations	(71,260)	41,387
Other Revenues (expenses)		
Interest Income	856	415
Interest Expense	-0-	(1,920)
Other Income	360	1,249
	1,216	(256)
Income (loss) Before Income Taxes	(70,044)	41,131
Income Taxes	-0-	-0-
Net Income (loss)	$(70,044)	$ 41,131
Primary Income (loss) Per Common Share	$ (.035)	$ .021
Fully Diluted Income (loss) Per Common Share	$ (.031)	$ .016

See notes to financial statements.

BUSINESS DATA GROUP, INC.
Balance Sheet

	March 31 1992 (UNAUDITED)	December 31 1991 (NOTE)
ASSETS		
Current Assets		
Cash	$ 31,385	$ 83,579
Accounts Receivable	84,613	117,554
Prepaid Expenses and Deposits	5,122	6,004
Inventory	17,827	19,199
Total Current Assets	138,947	226,336
Property, Plant and Equipment	72,645	69,911
Less: Allowances for Depreciation	43,066	40,845
	29,579	29,066
Other Assets		
Other	475	475
	475	475
	$169,001	$255,877
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes Payable - Other	$ 26,000	$ 34,000
Accounts Payable Trade	57,424	30,361
Customer Deposits	-0-	-0-
Taxes Payable	715	18,139
Accrued Expenses	256,532	272,004
Total Current Liabilities	$340,671	$354,504
Long Term Debt	$ 5,000	$ 8,000
Total Liabilities	$345,671	$362,504
Stockholders' Equity		
Preferred Stock, Par Value $10 per share, 50,000 shares authorized - Series A, $10 cumulative convertible, 1,000 shares outstanding at March 31, 1992 and December 31, 1991 respectively	$ 10,000	$ 10,000
Common Stock, Par Value $.01 Per share, 10,000,000 Shares Authorized, 2,010,000 Shares Issued and Outstanding at March 31, 1992 and December 31, 1991 respectively	20,100	20,100
Paid-In Capital in Excess of Par Value	489,534	489,534
Retained Earnings	(696,304)	(626,261)
	(176,670)	(106,627)
	$169,001	$255,877

Note: The balance sheet at December 31, 1991 has been derived from the audited financial statements at that date.

See notes to financial statements.

BUSINESS DATA GROUP, INC.
Statement of Cash Flows
(UNAUDITED)

	Three Months Ended March 31	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$(70,044)	$41,131
Noncash items included in net income		
Depreciation	2,223	1,868
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	32,941	(57,769)
(Increase) decrease in prepaid expenses	882	(4,380)
(Increase) decrease in inventory	1,372	41,744
(Decrease) increase in accounts payable	27,063	(29,534)
(Decrease) increase in customer deposits	-0-	(17,637)
(Decrease) increase in taxes payable	(17,424)	-0-
(Decrease) increase in accrued expenses	(15,472)	(6,387)
Total Adjustments	29,362	(73,963)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(38,459)	(30,964)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,735)	-0-
Sale of equipment	-0-	-0-
NET CASH USED BY INVESTING ACTIVITIES	(2,735)	-0-
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt reduction	(11,000)	(6,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(11,000)	(6,000)
NET DECREASE IN CASH	(52,194)	(36,964)
CASH AT BEGINNING OF YEAR	83,579	69,238
CASH AT END OF YEAR	$ 31,385	$ 32,274

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:		
Interest	$10,880	$ 1,415
Income taxes	$ -0-	$ -0-

See notes to financial statements.

BUSINESS DATA GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 1992

NOTE 1. Summary of Significant Accounting Policies:

A. Basis of Accounting

The Company uses the accrual method of accounting for both financial reporting and tax purposes. Revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

B. Property, Plant and Equipment

Property and equipment are carried at cost. Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions and major renewals are capitalized.

C. Depreciation

The Company's depreciation policy is to use the straight-line method of depreciation for property, plant and equipment for financial reporting and an accelerated method for taxes. Depreciation expense for three months ended March 31, 1992 and 1991 was $2,223 and $1,868 respectively.

D. Amortization

The Company's amortization policy of capital leases is to use the straight-line method of amortization.

E. Inventory

Inventories are valued at the lower of cost (determined by specific identification) or market.

F. Description of Business

The Company designs computer systems primarily for the automotive repair industry. The Company grants credit to customers primarily in the automotive repair industry.

NOTE 2. Operating Leases The Company has lease commitments for vehicles and its corporate offices. Minimum rental commitments under existing operating leases at March 31, 1992 are as follows:

1992	$36,666
1993	$47,511
1994	$41,826
1995	$37,164
1996	$37,164

NOTE 3. Loans by Related Parties

Beginning in June, 1986, several directors and significant shareholders made loans to the Company to aid in the cash flow problems. The loans were for a two year period, and thereafter on demand. The notes bear interest at 12% per year. In August, 1991 the loan to Optivest was converted into a non-interest bearing note of $27,000, due August 1993, by combining the existing note principal with open accounts payable of $9,000. In August, 1991 the loan to John Formicola was converted into a non-interest bearing note, due June 1992. As of March 31, 1992 the Company's indebtedness under these loans is as follows:

	March 31 1992	December 31 1991
John J Formicola	$14,000	$22,000
Optivest Technologies Corp.	17,000	20,000
	$31,000	$42,000

Five year debt maturities are as follows:

1992	$23,000
1993	$ 8,000
1994	$ -0-
1995	$ -0-
1996	$ -0-

NOTE 4. Accrued Expenses

Included in accrued expenses is accrued payroll to Officers in the amounts of $186,328 and $192,509 for the periods ended March 31, 1992 and December 31, 1991 respectively. The Officers current salaries are at a rate which will permit the gradual reduction of the accruals.

NOTE 5. Incentive Stock Option Plan

Under the terms of its Incentive Stock Option Plan effective December 21, 1983, options to purchase shares of the Company's Common Stock are granted at a price equal to or greater than the market price of the stock at the date of the grant. Options may be exercised at the minimum rate of 100 shares. The options expire after seven years from the date of grant. 200,000 shares of the Company's Common Stock have been allocated to the Stock Option Plan. Following is a summary of transactions:

	Shares under option	
	1992	1991
Outstanding, Beginning of year	25,000	25,000
Granted during the year	-0-	-0-
Expired during the year	-0-	-0-
Exercised during the year	-0-	-0-
Outstanding, End of year	25,000	25,000
Eligible, end of year for exercise currently (at prices varying between $.25 and $.50 per share)	25,000	25,000

NOTE 6. Non-Qualified Stock Option

Under the terms of its Non-Qualified Stock Option Plan effective April 27, 1987, options to purchase shares of the Company's Common Stock are granted at a price equal to or greater than the fair market value of the stock at the date of the grant. Options may be exercised at the minimum rate of 1,000 shares. The options expire after seven years from the date of grant. 500,000 shares of the Company's Common Stock have been allocated to the Non-Qualified Stock Option Plan. Following is a summary of transactions:

	Shares under option	
	1992	1991
Outstanding, Beginning of year	250,000	250,000
Granted during the year	-0-	-0-
Exercised during the year	-0-	-0-
Outstanding, End of year	250,000	250,000
Eligible, end of year for exercise currently (at prices varying between $.07 and $.15 per share)	250,000	250,000

NOTE 7. Capital Stock

In September, 1985 the Stockholders approved the authorization of 10,000 shares of 12% cumulative convertible Preferred Stock, Series A, $10 Par Value. The Preferred Stock has voting rights of one vote per share on corporate matters. Each share of Preferred Stock is convertible into twenty shares of common stock. The Preferred Stock is redeemable at the option of the Company at the par value plus accrued and unpaid dividends to the date of redemption. In March 1987 the Company redeemed 500 shares of Series A Preferred Stock. As of March 31, 1992 and December 31, 1991, 1,000 shares were issued and outstanding. At March 31, 1992 and December 31, 1991 dividends in arrears on the 12% cumulative convertible Preferred Stock, Series A, were $7,500 ($7.50 per share) and $7,200 (7.20 per share), respectively.

NOTE 8. Earnings Per Share

Primary and Fully Diluted loss per share has been computed on the basis of the average number of shares outstanding. The preferred stock and eligible stock options have been excluded from the primary and fully diluted loss per share calculation due to the antidilutive effect. The average number of shares used was:

	1992	1991
Primary	2,010,000	2,010,000
Fully Diluted	2,200,000	2,557,000

NOTE 9. Unused Net Operating Losses and tax credit carry forwards

The Company has available at December 31, 1991 unused tax credits and operating loss carry forwards, which may provide future tax benefits and expire as follows:

Year of Expiration	Unused Investment Credits	Unused Operating Loss Carryforwards	Research Credit
1998	2,562	-0-	1,481
1999	7,632	153,539	9,862
2000	401	103,704	-0-
2001	-0-	101,631	-0-
2002	-0-	21,750	-0-
2004	-0-	90,704	-0-
2005	-0-	146,675	-0-
	$10,595	$618,003	$11,343

NOTE 10. Income Taxes

Income taxes for the periods ended March 31, 1992 and 1991 are as follows:

	1992	1991
Federal and State income taxes	$ -0-	$11,147
Tax benefit of net operating loss carryforward	-0-	11,147
Total Income Tax Expense	$ -0-	$ -0-

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

The Company reported a net loss for the first quarter of 1992 of $70,044, compared to a net income of $41,131 in the first quarter of 1991. Revenues for the quarter decreased to $187,417 compared to $362,276 in the prior year. This is an decrease of 49%. The Company dedicated the majority of its marketing resources toward expansion into the independent area of the undercar care industry. A strong sales effort has been made with Meineke Discount Mufflers that should produce significant results in the second half of 1992. Margins were down as the gross profit as a percent of sales decreased to 14% from 40% in the prior year. This is largely the result of a geared up development effort on the generic version of the Automotive Services Package with no revenues for this product in this quarter. Operating expenses decreased to $97,859 from $102,705 in the first quarter. The decrease is primarily a reduction in selling expenses due to the lower revenues.

Liquidity

Business Data Group, Inc.'s cash balance decreased from $83,579 at December 31, 1991 to $31,385 at March 31, 1992. The decrease was the result of the net loss partially offset by an decrease in current assets, some debt repayment and the increase of trade accounts payable.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The Company did not file any reports on Form 8-K during the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned duly authorized.

BUSINESS DATA GROUP, INC.

David M. Eig
David M. Eig
President

Eugene A. Weiss
Eugene A. Weiss
Vice President, Chief Financial Officer

DATE: May 5, 1992

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

C92-2264

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES AND EXCHANGE ACT OF 1934

For Quarter Ended February 28, 1992 Commission File No. 0-17598

C SQUARE VENTURES, INC.
(Exact Name of Registrant as Specified in its Charter)

TEXAS
(State or Other Jurisdiction of Incorporation or Organization)

76-0260145
(I.R.S. Employer Identification No.)

320 South Military Trail, Deerfield Beach, Florida 33442
(Address of Principal Executive Office) (Zip Code)

Registrant's Telephone Number, Including Area Code 305/480-9119

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety days.

Yes X No ____

The number of shares of registrant's Common Stock, $.003 par value, outstanding as of February 28, 1992 as 4,444,667 shares.

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C SQUARE VENTURES, INC.

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

C SQUARE VENTURES, INC.
(A Developmental Stage Company)
BALANCE SHEET

	February 28, 1992 (Unaudited)	May 31 1991
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,271	$ 410
Note Receivable - related party	3,825	0
Total Current Assets	6,096	410
FIXED ASSETS:		
Equipment	993	993
Less: Accumulated Depreciation	(249)	(99)
Total Fixed Assets	744	894
OTHER ASSETS:		
Organization costs, net	350	500
TOTAL ASSETS	$ 7,190	$ 1,804
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accrued expenses	$ 57,100	$ 37,742
Accounts Payable	6,680	481
Notes Payable - related party	6,497	3 613
Total Current Liabilities	70,277	41,836
STOCKHOLDERS' EQUITY:		
Common Stock, $.003 par value, authorized 16,666,667 shares; issued and outstanding, 4,444,667 shares	$ 13,334	$ 13,334
Additional paid-in capital	819,234	819,234
Deficit accumulated during the developmental stage	(895,655)	(872,598)
Total Stockholders' Equity	(63,087)	(40,030)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,190	$ 1,804

The accompanying notes are an integral part of these financial statements.

C SQUARE VENTURES, INC.
(A Developmental Stage Company)
STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended February 28, 1992	Three Months Ended February 28, 1991	Nine Months Ended February 28, 1992	Nine Months Ended February 28, 1991
OPERATING REVENUES	$ 0	$ 0	$ 0	$ 0
*GAIN - STOCK SOLD	17,824	0	17,824	0
MISCELLANEOUS INCOME	52	0	52	0
OPERATING EXPENSES	(18,997)	(11,007)	(41,132)	(58,305)
OPERATING INCOME (LOSS)	(1,121)	(11,007)	(23,056)	(58,305)
INTEREST INCOME	0	7,841	200	23,888
LOSS ON DISPOSITION	0	0	(0)	(894)
NET INCOME (LOSS)	(1,121)	(3,166)	(23,056)	(35,311)
EARNINGS (LOSS) PER SHARE	NIL	NIL	NIL	NIL
WEIGHTED AVERAGE SHARES OUTSTANDING	4,444,467	4,444,667	4,444,667	4,444,555

* See Subsequent Events under Material Changes in Financial Conditions, Liquidity and Capital Resources.

The accompanying notes are an integral part of these financial statements.

C SQUARE VENTURES, INC.
(A Developmental State Company)
STATEMENT OF CASH FLOWS
(Unaudited)

	Nine Months Ended February 28, 1992	Nine Months Ended February 28, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	(23,056)	(35,311)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided By Operating Activities:		
Depreciation & Amortization	300	225
CHANGES IN ASSETS AND LIABILITIES:		
(Increase) in accrued interest receivable	0	(23,184)
(Increase) Decrease in prepaid expenses	0	286
Increase (Decrease) in accounts payable	6,199	0
Increase (Decrease) in accrued expenses	19,359	28,761
(Increase) Decrease in notes receivable	(3,825)	
Increase (Decrease) in payroll taxes	0	378
Net Cash Provided (Used) by Operating Activity	(1,023)	(28,845)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase (Decrease) in reserves for bad debts	0	3,100
(Increase) Decrease in notes receivable	0	1,900
Sale of Equipment	0	894
Equipment Purchase	0	(994)
Net Cash Provided (Used) by Investing Activities	0	4,900
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in loans payable	2,884	3,188
Net Cash provided (Used) by Financing Activities	2,884	3,188
NET INCREASE (DECREASE) IN CASH	1,861	(20,757)
CASH AT BEGINNING OF PERIOD	410	20,776
CASH AT END OF PERIOD	2,271	19

The accompanying notes are an integral part
of these financial statements.

C SQUARE VENTURES, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF REPRESENTATION

The accompanying financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position and the results of operations for the interim periods represented.

Certain financial information which is normally included in financial statements prepared in accordance with generally accepted accounting principals, but which is not required for interim reporting purposes has been condensed or omitted. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto as of May 31, 1991, contained in the Company's Annual Report on Form 10-K.

2. EARNINGS (LOSS) PER SHARE

Per share information is computed based on the weighted average number of shares outstanding during the period.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Material Changes in Results of Operations

During the quarter ended February 28, 1992, the Company continued its search for suitable potential merger or acquisition candidates as well as its consideration for possible subsidiary shell merger/spin-off candidates.

As the Company has had limited operations since its inception and for the quarters ended February 28, 1992 and 1991, the Company had no operating revenues for said quarters. For the quarters ended February 28, 1992 and 1991, the Company had operating expenses of $18,996 and $11,007, respectively, consisting primarily of professional fees, office expenses, telephone expenses and travel expenses all relating to the Company's search for and negotiations with potential merger or acquisition candidates, and compliance with reporting requirements associated with the Company's status as a public company. Thus the Company reported an operating loss of $1,120 for the period as compared to income of $3,166 for the quarter ended February 28, 1991. For the same quarter, the Company reported no interest income reported in this quarter in 1992, as compared to interest income of $7,841 in 1991, thus resulting in a net loss for the period of $1,120 and $3,166, respectively.

Material Changes in Financial Conditions, Liquidity and Capital Resources

An accurate barometer of the Company's liquidity is its cash balances. The Company's cash balances were $2,271 at February 28, 1992 as compared to $19 at February 28, 1991, the same period of the preceding year.

The Company's operations have been and continue to be conducted on a severely curtailed basis. Management of the Company is funding the cash needs via foregone consulting fees and direct loans for the interim period until a merger or acquisition is effected. The Company presently has outstanding warrants, the exercise of which would provide the Company up to approximately $5,400,000. Due to the present financial condition of the Company, there is no assurance that any of these warrants will be exercised.

Subsequent Events

The distribution of common stock by Spectrum Pharmaceutical Corporation, subsidiary merged July 25, 1991, to the shareholders of C Square Ventures, Inc. and subsequent return of a portion of the 5.7% of the common stock totaling 165,000 shares of Spectrum distributed shares by Management to the Treasury of the Company resulted in an opportunity for cash reserves to be reestablished upon the sale of said shares to the public. Proceeds from sale of stock during the quarter ended February 28, 1992 totaled $17,824. Subsequent sales through March, 1992 resulted in a net gain of $56,267.52 to the Company.

PART II -- OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

None

B. Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

C SQUARE VENTURES, INC.

Date: ______________________ By: ______________________
CARL H. CANTER, President

Date: ______________________ By: ______________________
ROBERTA WEHR, Chief Financial

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

D92-2264

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from _______ to _______

Commission File Number 33-20260

Farm & Home Financial Corporation

Delaware	**43-1471905**
(State or Other Jurisdiction of Organization)	(I.R.S. Employer Identification Number)

10100 N. Executive Hills Boulevard, Suite 400, Kansas City, MO 64153-1369
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: **(816) 891-7778**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO _

The number of shares of Common Stock, $.01 par value, of the Registrant outstanding as of March 31, 1992 was 4,368,185 shares.

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FARM & HOME FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q FOR QUARTER ENDED MARCH 31, 1992

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FARM & HOME FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollar Amounts In Thousands, Except for Per Share Data)

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Cash (includes interest-bearing deposits of $24,208 and $138,154 at March 31, 1992 and December 31, 1991, respectively)	$ 67,457	$ 174,302
Trading account securities (at fair value)	20,738	61,007
Investment securities (fair value of $97,959 and $97,485 at March 31, 1992 and December 31, 1991, respectively)	96,268	95,097
Loans held for sale	49,289	31,498
Loans receivable, net	1,784,035	1,751,420
Mortgage-backed and related securities (fair value of $1,312,739 and $1,393,672 at March 31, 1992 and December 31, 1991, respectively)	1,282,589	1,350,958
Accrued interest receivable	26,139	27,654
Income taxes receivable	1,880	1,597
Investments in real estate	47,108	50,027
Purchased mortgage servicing rights	41,832	40,128
Office properties and equipment	23,616	23,362
Other assets	26,998	30,874
TOTAL	$3,467,949	$3,637,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Savings deposits	$2,788,714	$2,828,284
Securities sold under agreements to repurchase	161,870	338,676
Advances from Federal Home Loan Bank and other borrowings	253,512	241,056
Advance payments by borrowers for taxes and insurance	66,659	40,633
Accrued income taxes payable	4,550	1,015
Other liabilities	22,863	24,149
Total liabilities	3,298,168	3,473,813
Stockholders' equity:		
Serial preferred stock ($.01 par value; 10,000,000 shares authorized; 1,526,049 and 1,557,115 shares issued and outstanding at March 31, 1992 and December 31, 1991, respectively)	15	16
Common stock ($.01 par value; 50,000,000 shares authorized: 4,388,185 and 4,354,119 shares issued and outstanding at March 31, 1992 and December 31, 1991, respectively)	44	44
Additional paid-in capital	81,672	81,640
Retained earnings	88,050	82,411
Total stockholders' equity	169,781	164,111
TOTAL	$3,467,949	$3,637,924

PART 1 - FINANCIAL INFORMATION - CONTINUED

FARM & HOME FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Dollar Amounts In Thousands, Except for Per Share Data)

	Three Months Ended March 31,	
	1992	1991
Interest income:		
Loans receivable	$42,370	$37,151
Mortgage-backed and related securities	28,649	34,779
Investment securities	1,852	4,161
Trading account securities	658	-
Cash and cash equivalents	2,034	1,609
Total interest income	75,563	77,700
Interest expense:		
Savings deposits	46,239	53,872
Securities sold under agreements to repurchase	3,996	3,032
Advances from Federal Home Loan Bank and other borrowings	4,702	5,106
Total interest expense	54,937	62,010
Net interest income	20,626	15,690
Provision for loan losses	892	608
Net interest income after provision for loan losses	19,734	15,082
Non-interest income:		
Loan servicing fees	1,718	2,050
Income from real estate operations, net	157	701
Gain on trading account securities, net	633	-
Gain on sales of loans held for sale	441	94
Gain on sales of loans and securities held in portfolio	-	894
Other	1,777	1,455
Total non-interest income	4,726	5,194
Non-interest expense:		
General and administrative expenses:		
Compensation and employee benefits	5,817	5,242
Advertising	101	117
Occupancy and equipment	2,570	2,281
Federal deposit insurance premium and assessments	1,661	1,673
Other	2,599	2,403
Total general and administrative expenses	12,748	11,716
Provision for real estate losses	1,956	2,276
Total non-interest expense	14,704	13,992
Income before income taxes	9,756	6,284
Income tax expense	3,451	2,164
Net income	$ 6,305	$4,120
Net income attributable to common shareholders	$ 5,965	$ 2,773
Earnings per share - primary	$ 1.32	$ 0.64
Earnings per share - fully diluted	$ 1.04	$ 0.53

PART I - FINANCIAL INFORMATION - CONTINUED

FARM & HOME FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollar Amounts in Thousands, Except for Per Share Data)

	Preferred Stock		Common Stock		Additional Paid-in	Retained	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Equity
Balance at December 31, 1991	1,557,115	$16	4,354,119	$44	$81,640	$82,411	$164,111
Issuance of common stock	-	-	3,000	-	31	-	31
Net income for the three months ended March 31, 1992	-	-	-	-	-	6,305	6,305
Dividends declared on common stock ($0.075 per share)	-	-	-	-	-	(326)	(326)
Dividends declared on Series B and C preferred stock ($0.15 per share)	-	-	-	-	-	(140)	(140)
Dividends declared on Series D and E preferred stock ($0.32 per share)	-	-	-	-	-	(200)	(200)
Exchange of series B preferred stock for common stock	(31,066)	(1)	31,066	-	1	-	-
Balance at March 31, 1992 (unaudited)	1,526,049	$15	4,388,185	$44	$81,672	$88,050	$169,781

FARM & HOME FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollar Amounts in Thousands)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	$ 6,305	$ 4,120
Adjustments to reconcile net income to net cash provided by operating activities:		
FHLB stock dividends	(666)	(683)
Provision for loan and real estate losses	2,848	2,884
Gain on sales of loans and securities held in portfolio	-	(894)
Gain on sales of real estate	(592)	(238)
Loss on sale of fixed assets	442	144
Depreciation and amortization	1,775	1,484
Change in operating assets and liabilities:		
Decrease in trading account securities	40,269	-
Increase in loans held for sale	(17,791)	(13,787)
Decrease (increase) in accrued interest receivable	1,515	(2,795)
Deferred income tax benefit	(283)	(835)
Increase in other liabilities	2,249	4,105
Net cash provided by (used in) operating activities	36,071	(6,495)
Cash flows from investing activities:		
Purchase of mortgage-backed and related securities	(22,724)	(190,062)
Purchase of investment securities	-	(50,256)
Purchase of stock in FHLB	(551)	(1,577)
Increase in loans receivable, net	(33,135)	(9,646)
Mortgage-backed and related security principal repayments	90,203	45,708
Sales of mortgage-backed and related securities	-	33,438
Other cash flows from investing activities	2,108	(522)
Net cash provided by (used in) investing activities	35,901	(172,917)
Cash flows from financing activities:		
Net increase (decrease) in savings deposits	(39,858)	66,507
Increase (decrease) in securities sold under agreements to repurchase	(176,806)	70,283
Decrease in other borrowings	(2,544)	(33,547)
Proceeds of advances from the Federal Home Loan Bank	85,000	12,000
Repayment of advances from the Federal Home Loan Bank	(70,000)	(28,000)
Repayment of long-term borrowings	-	(9,500)
Proceeds from issuance of common stock	31	-
Dividends paid	(666)	(1,535)
Net increase in advance payments by borrowers for taxes and insurance	26,026	7,719
Net cash provided by (used in) financing activities	(178,817)	83,927

(Statements of Cash Flows continued on following page)

FARM & HOME FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED), continued

(Dollar Amounts In Thousands)

	Three Months Ended March 31,	
	1992	1991
Net decrease in cash and cash equivalents	(106,845)	(95,485)
Cash and cash equivalents at beginning of period	174,302	187,465
Cash and cash equivalents at end of period	$ 67,457	$ 91,980
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$54,574	$57,405
Cash paid during the period for income taxes	200	-
Supplemental schedule of noncash investing and financing activities:		
Real estate acquired in foreclosure	$1,816	$4,481
Loans to facilitate sales of real estate	124	150
Stock dividends on series B and C preferred stock	-	138
Exchange of preferred stock for common stock	721	-

FARM & HOME FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements of Farm & Home Financial Corporation and subsidiaries ("Farm & Home") have been prepared in accordance with instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments considered necessary to present fairly the consolidated financial condition, results of operations, and cash flows for all periods presented have been made.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been condensed or omitted. The results of operations for the three months ended March 31, 1992, are not necessarily indicative of the operating results that may be expected for the year ending December 31, 1992.

In preparing the consolidated financial statements in accordance with GAAP, management is required to make certain estimates and assumptions that affect both the reported amounts of assets and liabilities as of the date of the statement of financial condition and revenues and expenses for the period. Actual results could differ significantly from those estimates and assumptions utilized in preparing the consolidated financial statements.

Material estimates that are particularly susceptible to significant change in the near-term relate to prepayment rate assumptions utilized in accounting for mortgage-backed and related securities and purchased mortgage servicing rights ("PMSRs"). In addition, material estimates also affect the determination of the allowance for losses on loans, real estate acquired through foreclosure and real estate held for investment or development.

2. Affiliation

The consolidated financial statements include the accounts of Farm & Home, its wholly-owned subsidiary Farm & Home Savings Association (the "Association") and the Association's wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

3. Earnings Per Common Share

Primary earnings per share are computed based on the weighted average number of common shares and, when dilutive, common share equivalents outstanding after giving effect to the reduction of earnings by the dividends paid or accrued on Farm & Home's serial preferred stock. Stock options are included as common share equivalents using the treasury stock method. The number of shares used in computing primary earnings per share was 4,529,542 and 4,343,516 for the three months ended March 31, 1992 and 1991, respectively. In the calculation of fully diluted earnings per share for the three months ended March 31, 1992 and 1991, Convertible Preferred Stock, Series B, C, D, and E, are assumed to be converted into common shares on a one for one basis from the beginning of the year, and earnings are not affected by the dividends paid or declared on such series. The number of shares used in computing fully diluted earnings per share was 6,072,223 and 5,900,631 for the three months ended March 31, 1992 and 1991, respectively.

4. Reclassification

Certain amounts for prior periods have been reclassified for comparative purposes to conform to the March 31, 1992 presentation.

PART I - FINANCIAL INFORMATION - CONTINUED

SELECTED RATIOS AND OTHER DATA (UNAUDITED) (1):

	At or for the Three Months Ended March 31,	
	1992	1991 (2)
Dividends per common share	$0.075	$0.075
Dividend payout ratio (dividends per common share divided by primary earnings per share)	5.68%	11.72%
Return on average assets	0.70%	0.48%
Return on average stockholders' equity	15.06%	9.12%
Average stockholders' equity to average total assets	4.66%	5.23%
Expense coverage ratio (net interest income divided by general and administrative expenses)	161.80%	133.92%
General and administrative expenses as a percentage of average total assets	1.42%	1.36%
Number of branch offices	48	48
Number of agency offices	10	10
Number of employees (full-time equivalents)	698	659

(1) Percentages and ratios for the three-month interim periods are annualized.

(2) Certain ratios for prior periods have been recalculated for comparative purposes to conform to the March 31, 1992 presentation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Farm & Home is a Delaware-chartered savings and loan holding company, the principal asset of which is the capital stock of the Association, a Missouri-chartered stock savings and loan association. The Association was incorporated as a Missouri mutual savings and loan association in 1893, began doing business in Texas in 1919, and in Kansas in 1991. The Association converted to stock ownership in 1983. In October 1988, the formation of Farm & Home as the holding company for the Association was completed. The Association at quarter-end had 48 branch offices and 10 agency offices located in Missouri, Texas, and Kansas and several administrative offices. Farm & Home and the Association maintain their corporate headquarters in Nevada, Missouri, and their executive offices in Kansas City, Missouri.

Farm & Home, as a savings and loan holding company, and the Association are subject to regulation, examination and supervision by its primary regulator, the Office of Thrift Supervision ("OTS"), and the Federal Deposit Insurance Corporation ("FDIC"), which has "backup enforcement authority." The Association is a member of the Federal Home Loan Bank ("FHLB") of Des Moines, one of twelve regional banks constituting the Federal Home Loan Bank System ("FHLB System"). In addition to the extensive supervision and regulation by the OTS and the FDIC, the Association's Missouri operations and general corporate activities are subject to regulation by the Director of the Missouri Division of Savings and Loan Supervision, its Texas operations are subject to regulation by the Savings and Loan Commissioner of the State of Texas, and its Kansas operations are subject to the supervision of the Kansas Savings and Loan Commissioner. The Association is further subject to regulations of the Board of Governors of the Federal Reserve System ("FRB") governing reserves required to be maintained against deposits.

The Association was examined by the FDIC as of January 31, 1992. Farm & Home and the Association are presently undergoing an examination by the OTS as of March 31, 1992. Management believes that these examinations are routine in nature and are a result of the normal supervisory examination process. While the FDIC has not yet issued its examination report, its representatives met with the Board of Directors at the conclusion of the examination. The Board of Directors and management are not aware of any current recommendations by the FDIC and do not anticipate any recommendations by the OTS, specific to Farm & Home or the Association, that if implemented would have a material impact on Farm & Home's liquidity, capital resources, or operations. Additionally, the Association is currently undergoing an OTS consumer compliance examination. The OTS has a specialized set of consumer compliance examiners that focus on compliance with consumer regulations such as the Truth in Lending Law, Community Reinvestment Act, and Equal Credit Opportunity Act. Management is unable to determine at this time the outcome of this examination.

Farm & Home is a retail-oriented financial intermediary serving the savings and borrowing needs of individuals located throughout Missouri and in parts of Texas and Kansas. The mission of Farm & Home in conducting its business is to provide a safe and sound depository for its customers' savings, while seeking to maximize profitability through the controlling of expenses, and through the minimizing of credit and interest-rate risk exposure. While accepting certain levels of business risk is an inherent part of the thrift industry, Farm & Home is committed to controlling the credit, capital, liquidity, and interest-rate risks which are an integral part of its operations. The following discussion analyzes the financial condition and results of operations of Farm & Home.

Wherever it is stated herein that Farm & Home is or has been engaged in a certain business activity related to the savings and loan industry, it is meant, unless the context indicates otherwise, that it is so engaged through its wholly-owned subsidiary, the Association.

Financial Condition

Review of Balance Sheet

Consolidated assets of Farm & Home totaled $3.47 billion at March 31, 1992, representing a decrease of $170.0 million from the $3.64 billion reported at December 31, 1991. The cash provided by asset "run-off" was used primarily to repay borrowings and to fund deposit outflows.

Interest-earning assets, including trading account securities, are comprised of loans receivable, mortgage-backed securities ("MBS"), mortgage derivative securities, U.S. Government securities, stock in the FHLB of Des Moines, and interest-earning deposits. The components of this portfolio consisted of the following at March 31, 1992 and December 31, 1991.

	March 31, 1992	December 31, 1991
	(In Thousands)	
Loans receivable (including loans held for sale)	$1,833,324	$1,782,918
Mortgage-backed securities	1,139,108	1,216,945
Principal-only stripped securities	65,379	69,306
Interest-only stripped securities	41,607	44,124
Collateralized mortgage obligation residuals	15,850	16,960
Collateralized mortgage obligation bonds	20,645	3,623
U.S. Government and agency obligations	65,799	65,845
Stock in the FHLB of Des Moines	30,438	29,221
Trading account securities	20,738	61,007
Other (includes interest-bearing deposits)	24,239	138,185
Total	$3,257,127	$3,428,134

The increase in loans receivable and loans held for sale of approximately $50.4 million during the first quarter of 1992 is primarily due to the origination and purchase of $249.1 million in loans, partially offset by repayments of $144.5 million and the sale of $51.9 million in loans which were originated and held for sale. The Association's current strategy is to sell all whole mortgage loans purchased and originated that do not meet the Association's present targeted investment spread requirements. The total lending volume of $249.1 million for the first quarter of 1992 compares to $114.7 million for the first quarter of 1991. This increase was attributable to an increase in loan demand in the Missouri and Texas marketplace.

Mortgage-backed and related securities decreased approximately $68.4 million, to $1.28 billion at March 31, 1992 from $1.35 billion at December 31, 1991. The decrease is primarily due to principal payments of $90.2 million, partially offset by purchases of mortgage-backed and related securities of $22.7 million. Purchases consisted of $5.0 million of MBS issued by private issuers and $17.7 million of mortgage derivative products, i.e., collateralized mortgage obligation bonds. The privately issued MBS were rated "AA" or better by Moody's and/or Standard and Poors at the time of purchase. The Association has a "Mortgage Derivative Product Policy" which provides guidelines for the prudent management of mortgage derivatives. Management anticipates an increase in mortgage-backed and related securities through the purchase of new securities during the remainder of 1992. However, the Federal Financial Institutions Examination Council ("FFIEC") issued a revised supervisory policy statement in 1991, which was implemented by the OTS in February 1992, and which may impact the Association's ability to acquire and hold certain high-risk mortgage securities. The mortgage derivatives acquired by the Association in the first quarter of 1992 were purchased in January and as a result are "grandfathered" under OTS Thrift Bulletin No. 52.

The objective of the Association's trading account is to enhance earnings primarily by taking advantage of spread opportunities as well as inefficiencies and aberrations which may occur in the capital markets from time to time. Trading activity is initiated based upon an analysis of option adjusted spread differentials. Minimization of credit risk and interest rate risk is fundamental to the conduct of the trading activities. Credit risk is controlled primarily through the purchase of investment grade securities. Interest rate risk is minimized by hedging with financial futures contracts and option contracts. All securities and hedging instruments held in the trading account are carried at fair value and are marked-to-market on a daily basis. As a result, realized and unrealized gains and losses on trading account securities and related hedging instruments are included in "Gain on trading account securities, net" in the consolidated statements of operations. The trading account decreased from $61.0 million at December 31, 1991 to $20.7 million at March 31, 1992 due to sales which took place in the trading portfolio during the first quarter of 1992.

Other interest-earning assets decreased approximately $113.9 million during the first quarter of 1992 as cash equivalents were used to fund deposit outflows and the repayment of borrowings.

Investments in real estate decreased $2.9 million from $50.0 million at December 31, 1991 to $47.1 million at March 31, 1992. See "**Asset Quality**" for further discussion related to the decrease in investments in real estate.

PMSRs increased $1.7 million from $40.1 million at December 31, 1991 to $41.8 million at March 31, 1992. This increase is primarily due to the purchase of $3.5 million of PMSRs during the first quarter of 1992, partially offset by amortization of the PMSR portfolio. Management anticipates additional acquisitions of PMSRs during 1992. See "**Liquidity and Capital Resources**" for discussion of regulatory limitations concerning the inclusion of PMSRs in regulatory capital.

The composition of interest-bearing liabilities at March 31, 1992 and December 31, 1991 is as follows.

	March 31, 1992	December 31, 1991
	(In Thousands)	
Savings deposits	$2,788,714	$2,828,284
Securities sold under agreements to repurchase	161,870	338,676
Advances from the Federal Home Loan Bank	185,000	170,000
Farm & Home Funding Corporation II CMO Bond	41,157	43,929
Subordinated Exchange Debentures Due 2016	26,664	26,619
Other borrowings	691	508
Advance payments by borrowers for taxes and insurance	66,659	40,633
Total	$3,270,755	$3,448,649

Savings deposits decreased $39.6 million to $2.79 billion at March 31, 1992 from $2.83 billion at December 31, 1991. This decrease is a result of net deposit outflows partially offset by interest credited to deposits in the amount of $30.5 million. Although management anticipates maintaining deposits at their present level during the remainder of 1992, this may be difficult because as interest rates decline or remain at low levels customers look beyond traditional savings investment vehicles to other options which may yield higher returns.

Securities sold under agreement to repurchase consist of reverse repurchase agreements and dollar reverse repurchase agreements. These agreements decreased $176.8 million during the three months ended March 31, 1992 as excess cash and payments on loans and mortgage-backed securities were used to repay borrowings.

FHLB advances and other borrowings increased $12.5 million during the first quarter of 1992. This increase was primarily due to a net increase of $15.0 million of FHLB advances, due to the availability of relatively attractive, longer term borrowing rates which enhance the Association's interest rate risk profile (see "**Interest Rate Risk Management**"), partially offset by a $2.8 million decrease in the Farm & Home Funding Corporation II CMO Bond resulting from prepayments.

Advance payments by borrowers for taxes and insurance increased $26.0 million from December 31, 1991 to March 31, 1992 due to an increase in the number of loans being serviced and due to payments made for taxes from the borrowers' escrow accounts at December 31, 1991.

Asset Quality

The Association's lending strategies have traditionally focused on the origination of loans secured by single-family residences. At March 31, 1992 and December 31, 1991, permanent loans on residential one-to-four family residences comprised 90% of total loans outstanding. Single-family residential construction loans totaled 5% of total loans at March 31, 1992 and December 31, 1991. Commercial real estate loans, other residential real estate loans, development and construction loans, and other loans were 5% of total loans at March 31, 1992 and December 31, 1991.

Real estate acquired through foreclosure, net of allowances for losses, totaled $27.6 million and $30.2 million at March 31, 1992 and December 31, 1991, respectively. Approximately 96% of the real estate acquired through foreclosure at March 31, 1992 is located in Texas. Real estate held for development or investment, net of allowances for losses, totaled $19.5 million and $19.8 million at the same dates. Approximately 60% of the real estate held for development or investment at March 31, 1992 is located in Texas, with the balance located in Missouri. A detailed discussion of the changes in Farm & Home's investment in real estate follows later in this section.

Economic Concerns. A weakened economy and increased competition, have adversely impacted the asset quality of a majority of the institutions in the thrift industry, including the Association. The effects of the lingering recession have caused real estate values to continue to decline in many parts of the country. In addition, the combination of sales of a large volume of Resolution Trust Corporation ("RTC") owned assets along with a depressed national real estate market has impaired the value of assets of many thrifts and banks and curbed new lending opportunities. Until signs of stabilization or improvement are prevalent in the markets in which the Association operates, future effects of the economy and industry regulation may continue to impact the asset quality of the Association. The following discussions relate to the various components affecting the Association's asset quality as well as the changes that have occurred during the respective periods indicated.

Classification of Assets. An institution's problem assets are subject to classification in one of three categories: "substandard", "doubtful", and "loss". For assets classified "substandard" and "doubtful", the institution is required to establish prudent loss reserves in accordance with GAAP. Assets classified as "loss" must be either written off or supported by a 100% specific reserve. A category designated "special mention" must be established and maintained for assets not currently requiring classification but having potential weaknesses or risk characteristics that could result in future problems. An institution must develop an in-house policy to classify its assets, including investments in subsidiaries, on a regular basis and provide appropriate reserves on the basis of such classification. Each institution is required to specify, in the regular quarterly report it files with the OTS, the aggregate amount of its assets included in each of the classification categories and the amounts of its general and specific valuation allowances. The OTS has the authority to direct an institution, where appropriate, to increase its reserves on assets or maintain additional capital for assets classified as "substandard" or "doubtful".

The Association has established an Asset Classification Policy (the "Policy") which outlines and implements effective, comprehensive, and uniform procedures to provide for the early identification, analysis, and reporting of problem and potential problem assets. The Policy also sets forth the criteria by which these assets shall be classified and the methodology utilized to establish general and specific valuation allowances. The Association has an Asset Classification Committee which reviews, on a quarterly basis, all assets subject to specific review and classification, as identified by the Policy, to ensure that such assets are classified and accounted for in accordance with the Policy, regulatory classification requirements, and GAAP. In order to classify and value such assets, the committee uses information derived from independent appraisals, income statements and cash flow statements of income-producing properties, comparable sales analyses, sales contracts, physical inspections, and evaluations of micro and macro economic conditions. Appraisals are reviewed for the reasonableness of assumptions used in arriving at the value assigned by the appraiser. Income statements of income-producing properties are used to develop realistic assumptions (rental income, vacancy rates, maintenance expense ratios, and recent sales activity for real estate held for investment or development) for the calculations performed by the Association to ensure that such assets are properly valued.

The following table summarizes the Association's classified assets at March 31, 1992 and December 31 1991, respectively.

	March 31, 1992	December 31, 1991
	(In Thousands)	
Special Mention:		
1-4 family residential	$ 1,993	$ 1,456
5 or more family residential	988	998
Non-residential and other	395	2,367
Total	$ 3,376	$ 4,821
Substandard:		
1-4 family residential	$ 13,163	$ 13,948
5 or more family residential	4,538	3,846
Non-residential and other	47,415	48,696
Total	$ 65,116	$ 66,490
Doubtful:		
1-4 family residential	$ 684	$ -
5 or more family residential	-	5
Non-residential and other	3,471	3,123
Total	$ 4,155	$ 3,128
Loss:		
1-4 family residential	$ 584	$ 512
5 or more family residential	230	230
Non-residential and other	30,837	28,917
Total	$ 31,651	$ 29,659
Total classified assets	$104,298	$104,098

Overall, total classified assets increased only slightly. The increase in loans classified as "doubtful" was due to the inclusion of 10 one-to-four family loans at March 31, 1992. The increase in assets classified as "loss" is primarily due to $1.5 million in non-residential foreclosed real estate included in the category at March 31, 1992 which was classified as "substandard" at December 31, 1991.

Delinquencies. When a borrower fails to make a scheduled payment on a loan, the Association attempts to cause the deficiency to be cured by contacting the borrower. Telephone contacts are normally made after a payment is 19 days past due and in most cases, deficiencies are cured promptly. If the delinquency is not cured by the 30th day, further telephone or written contacts are made with the borrower and occasionally personal visits are scheduled with the borrower. If the delinquency continues for a period of 90 days, the Association initiates appropriate legal action to remedy the default, which may include commencing a foreclosure action. If a foreclosure action is initiated and the loan is not reinstated, paid in full, or refinanced, the property is sold in a proceeding at which the Association may be the buyer. The acquired property is then recorded at the lower of the loan balance or fair value and recorded in the Association's "real estate owned" account until it is sold. The Association infrequently may finance such sales with a "loan to facilitate," which usually involves more favorable borrowing terms than normally permitted by the Association's loan underwriting criteria. In both Missouri and Texas, property may be foreclosed after payments become more than 31 days past due by publishing or posting appropriate notices of foreclosure action during a subsequent period of 21 days. In Kansas, a judicial proceeding is required in order to foreclose on a property.

The following table summarizes the Association's loans delinquent for periods from thirty to ninety days and still accruing interest:

	March 31, 1992	December 31, 1991
	(In Thousands)	
30-59 days delinquent:		
1-4 family residential	$ 6,373	$ 9,164
5 or more family residential	988	-
Non-residential and other	2,840	15
60-89 days delinquent:		
1-4 family residential	2,814	2,390
Non-residential and other	11	33
Total delinquencies	$13,026	$11,602

The Association experienced an overall increase in delinquencies during the first three months of 1992. The decrease in one-to-four family loans which were 30-59 days delinquent was due to various construction loans which were past due for 30 days at December 31, 1991 while in the process of being formally extended. Either formal extensions were granted on these loans or they were repaid during the first quarter of 1992. The increase in non-residential loans which were 30-59 days delinquent was due to one land loan in Texas which became 30 days delinquent during March. The 5 or more family residential loan which was 30-59 days delinquent at March 31, 1992 had been on non-accrual status at December 31, 1991.

Non-Performing Assets. The Association places all mortgage loans on a "non-accrual" basis when contractually past due for 90 days or more. Certain construction loans may still accrue interest when they are past due for 90 days or more while in the process of being formally extended. When a loan is placed on a non-accrual basis, all accrued and unpaid interest on the loan is reversed and charged against current earnings. Loans are restored to accrual status only after the loan is brought current or to less than 90 days past due.

The following table presents information regarding non-performing assets for the periods indicated.

	March 31, 1992		December 31, 1991	
	(Dollar Amounts In Thousands)			
	Number	Amount	Number	Amount
Non-accrual loans:				
1-4 family residential	170	$ 9,185	162	$ 9,973
5 or more family residential	1	1,918	2	2,918
Non-residential and other	5	2,501	5	2,558
Past due 90 days and still accruing interest	6	556	7	627
Total non-performing loans	182	$14,160	176	$16,076
Real estate acquired through foreclosure (net of loss allowances)		$27,628		$30,167
Total non-performing assets		$41,788		$46,243
Total non-performing assets as percent of total assets		1.20%		1.27%
Total non-performing loans as a percent of total loans receivable		0.77%		0.90%

Non-accrual 5 or more family residential loans decreased due to a loan on which payments were received during the first quarter and is now reported in the 30-59 days delinquent category. See "Asset Quality-Real Estate Acquired Through Foreclosure" for a discussion of the change in real estate acquired through foreclosure.

Real Estate Acquired Through Foreclosure. The following table sets forth certain information regarding Farm & Home's real estate acquired through foreclosure prior to any allowance for losses for the periods indicated.

	Balance at 12/31/91	Additions	Reductions in Book Value Due to Sales	Balance at 3/31/92
		(In Thousands)		
Residential 1-4 family	$ 3,656	$ 781	$(1,131)	$ 3,306
Other residential	1,033	15	-	1,048
Commercial	29,173	-	(847)	28,326
Development and construction	21,815	237	(40)	22,012
Total	$55,677	$1,033	$(2,018)	$54,692

If an impaired loan meets certain criteria, it is then considered an in-substance foreclosure. The property is thereafter accounted for as real estate acquired through foreclosure until it is sold. Of net real estate acquired through foreclosure at March 31, 1992, approximately $236,000 is comprised of in-substance foreclosures. All of these in-substance foreclosures are located in Texas.

Real Estate Held for Investment or Development. Real estate held for investment and development decreased $236,000 from December 31, 1991 to March 31, 1992. The decrease is primarily due to individual lot sales in the Association's active real estate developments. The following table sets forth certain information regarding Farm & Home's real estate held for investment or development prior to any allowance for losses for the periods indicated.

	Balance at 12/31/91	Additions	Reductions in Book Value Due to Sales	Balance at 3/31/92
		(In Thousands)		
Partially developed and completed tracts of single family lots	$ 7,946	$ 27	$(670)	$ 7,303
Land held for development	16,383	232	(3)	16,612
Other	5,784	178	-	5,962
Total	$30,113	$437	$(673)	$29,877

The additions to real estate held for investment or development represent capitalized costs associated with the development of land into lots and not actual purchases of additional tracts of land.

Subsequent to March 31, 1992 a contract was signed for the sale of approximately 158 acres with a book value of $1.2 million in the Lakewood development located near Kansas City, Missouri.

Due to restrictions imposed by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), state chartered savings associations must divest of real estate investments and developments ("REI/RED") as quickly as can be prudently done, and in any event not later than July 1, 1994. In order to comply with this restriction, state chartered associations were required to submit a divestiture plan to, and have it approved by, the FDIC. The Association submitted a divestiture plan to the FDIC in 1990 which management believed complied with this requirement. During the third quarter of 1991, the Association received correspondence from the FDIC in response to its divestiture plan. In this correspondence, the FDIC directed the Association to accelerate and complete its divestiture of all REI/RED, with one exception, by no later than December 31, 1992. With respect to the one exception, the FDIC approved the Association's request to defer divestiture until July 1, 1994. The correspondence indicated that the accelerated divestiture date could be extended at the discretion of the Kansas City Regional Director of the FDIC.

During the fourth quarter of 1991, the Association's management met with the FDIC to report on the progress of the Association's divestiture activity and to request extensions to the accelerated divestiture date. In April 1992, the Association received correspondence from the FDIC in response to the request for a modification of the accelerated divestiture date. In this correspondence, the FDIC denied the request for a modification of the divestiture dates to July 1, 1994 and responded to two alternatives, among those which are discussed below, that the Association may pursue to divest of such real estate by December 31, 1992.

The following are the alternatives which are currently considered possible outcomes for compliance with the December 31, 1992 divestiture deadline based on the FDIC's most recent correspondence. Additional alternatives may arise which are unknown at this time.

The first alternative would be for the Association to sell the REI/RED to Farm & Home, the holding company, at fair value. The second alternative would be for the Association to transfer the REI/RED to Farm & Home through a dividend in-kind. The third alternative would be for the Association to transfer the REI/RED, through a capital investment, to newly formed service corporation subsidiaries of the Association. This would require approval from both the FDIC and the OTS. In general, the Association's risk-based regulatory capital would increase under the first alternative and all three types of regulatory capital would decrease under the second and third alternatives; however, Farm & Home's consolidated financial statements would not be impacted under any of the above alternatives. The fourth alternative would be for the Association to sell all the REI/RED in the open market by December 31, 1992. Certain sales under the fourth alternative may occur under abnormal conditions due to the compressed timeframe for liquidation.

The net book value of the REI/RED subject to the accelerated divestiture deadline at April 30, 1992 was approximately $16.2 million and was supported by current market appraisals, comparable sale analyses, or by cash flow analyses (discounted at a market rate of return) that reflect appropriate values for normal market conditions which management believes would exist under alternatives one through three listed above. If the Association were to pursue the fourth alternative above under abnormal conditions, losses on certain of the properties will likely be realized to reflect the effects of the accelerated divestiture. Because management is unable to predict the economic environment, the condition of the real estate market, or the status of the individual properties, if any, which might be sold under these abnormal conditions, it is unable to quantify any potential loss associated with such sales. No adjustments to reflect this alternative have been made in the accompanying consolidated financial statements at March 31, 1992.

The Board of Directors and management are in the process of reviewing these alternatives and any others which may arise in order to comply with the accelerated divestiture deadline, and will choose the one or combination of several which provide the best economic solution while attempting to satisfy all parties involved, including Farm & Home, the Association, their regulators, and shareholders. Until such time when the Board decides on a method or methods for divestiture, the Association will continue to liquidate such REI/RED as economically feasible opportunities become available.

Provision for Loan and Real Estate Losses. The Association's policy is to maintain specific and general valuation allowances for losses on loans, real estate acquired through foreclosure and real estate acquired for investment or development at a level believed by management to be adequate to absorb losses inherent in the respective portfolios. On a quarterly basis, the Association performs an analysis of its loan portfolio and real estate as to risk, performance, value, and quality.

Management believes the allowances are maintained at levels considered necessary and prudent. Additions to the allowances are charged against current earnings. Management's judgment as to the adequacy of the allowances is based upon a combination of periodic appraisals of problem assets obtained when appropriate, past loss experience, condition of collateral, financial condition of borrower, income statements of income-producing properties, sales information, changes in the characteristics or size of the portfolio, geographic location, prevailing and expected economic conditions or other risk factors deemed relevant. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Association's allowances for losses on loans and real estate. Such agencies may require the Association to recognize additions to the allowances based on their judgment about information available to them at the time of their examination.

The following table sets forth information regarding Farm & Home's allowance for loan losses for the periods and dates indicated.

	For the Three Months Ended March 31,	
	1992	1991
	(In Thousands)	
Balance at beginning of period	$4,096	$3,239
Provisions for losses	892	608
Charge-offs	(51)	(569)
Balance at end of period	$4,937	$3,278
Charge-offs during the period as a percentage of average loans outstanding for the period	.00%	.04%
Total allowance for loan losses to non-performing loans	34.87%	27.16%

The charge-offs of allowance for loan losses are primarily due to charge-offs of general valuation allowances upon foreclosure. For further discussion relating to provisions for losses on loans see "**Results of Operations - Provision for Loan Losses.**"

A variety of factors, including the appreciation of real estate values, has historically limited Farm & Home's loss and delinquency experience on its real estate loan portfolio. In many areas of the country, the rate of such appreciation has slowed considerably in the past few years and, in certain areas, including Texas and other states where Farm & Home has made real estate loans, reported values (based on sales or offer prices) have declined. The economic conditions in Texas appear to have stabilized. However, because of previous economic conditions and other factors beyond Farm & Home's control, delinquencies or defaults may result in future declines in value resulting in additional valuation allowances.

The following table sets forth information regarding Farm & Home's allowance for losses on real estate acquired through foreclosure for the periods and dates indicated.

	For the Three Months Ended March 31,	
	1992	1991
	(In Thousands)	
Balance at beginning of period	$25,510	$21,258
Provisions for losses	1,812	769
Charge-offs	(258)	(387)
Balance at end of period	$27,064	$21,640
Total allowance for losses on real estate acquired through foreclosure to gross real estate acquired through foreclosure	49.48%	33.07%

The charge-offs of allowances for real estate losses are primarily due to charge-offs of general valuation allowances upon sale of foreclosed properties. For further discussion relating to provisions for losses on real estate acquired through foreclosure see "Results of Operations-Provision for Real Estate Losses."

The following table sets forth information regarding Farm & Home's allowance for losses on real estate acquired for investment or development.

	For the Three Months Ended March 31,	
	1992	1991
	(In Thousands)	
Balance at beginning of period	$10,253	$ 8,502
Provisions for losses	144	1,507
Balance at end of period	$10,397	$10,009
Total allowances for losses on real estate acquired for investment or development to gross real estate acquired for investment or development	34.80%	30.22%

For further discussion relating to provisions for losses on real estate operations see "**Results of Operations - Provision for Real Estate Losses.**"

Results of Operations

Farm & Home recorded net income of $6.3 million for the first quarter of 1992 with primary and fully diluted earnings per share of $1.32 and $1.04, respectively, compared to net income of $4.1 million or $0.64 and $0.53 primary and fully-diluted earnings per share for the same period a year earlier. A description of the components of net income and the factors contributing to Farm & Home's operating results are provided as follows.

Net Interest Income

The earnings of Farm & Home depend primarily on the difference ("spread") between interest income from lending and investment activities and the effective interest cost of deposits and borrowings. Interest rate spread is affected by changes in the level of non-performing loans and foreclosed real estate, and it is also affected by various external factors, including national and regional economic trends governing general interest rates and related mortgage prepayment rates, changes in accounting rules, changes in federal legislation, loan demand, deposit flows and competition for deposit funds and mortgage loans. Net interest income improved 31% to $20.6 million for the three months ended March 31, 1992 from $15.7 million for the three months ended March 31, 1991. A detailed discussion relating to the increases in net interest income and the components thereof follows later in this section.

The following table contains information relating to Farm & Home's average consolidated statements of financial condition and reflects the weighted average yield on assets and weighted average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing annualized interest income or expense by the weighted average balances of interest-earning assets or interest-bearing liabilities.

	Three Months Ended March 31,					
	1992			1991		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
	(Dollar Amounts in Thousands)					
Interest-earning assets:						
Loans receivable, net (1)	$1,794,401	$42,370	9.45%	$1,465,607	$37,151	10.15%
Mortgage-backed and related securities	1,325,551	28,649	8.65	1,492,231	34,779	9.32
Investment securities	95,419	1,852	7.85	200,248	4,161	8.36
Other interest-earning assets	197,231	2,692	5.51	102,520	1,609	6.35
Total interest-earning assets	$3,412,602	$75,563	8.86	$3,260,606	$77,700	9.54
Interest-bearing liabilities:						
Savings deposits (2)	$2,790,867	$46,239	6.60	$2,794,788	$53,872	7.70
Repurchase agreements	345,482	3,996	4.68	180,947	3,032	6.70
Advances from the Federal Home Loan Bank and other borrowings (3)	269,738	4,702	7.03	224,451	5,106	9.19
Total interest-bearing liabilities	$3,406,087	$54,937	6.44	$3,200,186	$62,010	7.77
Net interest-earning assets	$ 6,515			$ 60,420		
Net interest income		$20,626			$15,690	
Interest rate spread			2.42%			1.77%
Net interest margin (4)			2.42%			1.93%
Interest-earning assets as a percent of interest-bearing liabilities			100.19%			101.89%

(1) Average balances include non-accrual loans. Interest on such loans is included in interest income upon receipt.

(2) Adjusted for amortization of net deferred gains on financial futures contracts, net interest income (expense) on interest rate swaps, amortization of the premium paid for interest rate caps and floors, and for the income relating to interest rate floors which are "in the money".

(3) Average balances include advance payments by borrowers for taxes and insurance. Interest expense includes the related interest incurred.

(4) Net interest margin for each period indicated equals the annualized net interest income divided by the average interest-earning assets.

The following table sets forth information regarding the changes in the components of net interest income for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to: (i) changes in rate (change in rate multiplied by prior year volume); and (ii) changes in volume (change in volume multiplied by prior year rate). The net change attributable to the combined impact of volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

	Three Months Ended March 31, 1992 Compared to 1991 Increase (Decrease) Due to		
	Volume	Rate	Total
		(In Thousands)	
Interest income:			
Loans	$ 7,537	$(2,318)	$ 5,219
Mortgage-backed and related securities	(3,713)	(2,417)	(6,130)
Cash equivalents and investment securities	(190)	(1,036)	(1,226)
Total	3,634	(5,771)	(2,137)
Interest expense:			
Savings deposits	(75)	(7,558)	(7,633)
Securities sold under agreements to repurchase	1,444	(480)	964
Advance from the Federal Home Loan Bank and other borrowings	2,417	(2,821)	(404)
Total	3,786	(10,859)	(7,073)
Net interest income	$ (152)	$ 5,088	$ 4,936

Net interest income of $20.6 million during the quarter ended March 31, 1992 was $4.9 million greater than the same period a year earlier. Interest income decreased $2.1 million. An increase of $3.6 million in interest income was a result of a $152.0 million increase in the average volume of interest-earning assets. The decrease in the average yield on interest-earning assets to 8.86% from 9.54% caused a decrease in interest income of $5.7 million.

Interest expense decreased during the first quarter of 1992 by $7.1 million compared to the first quarter of 1991. A $3.8 million increase was due to a $205.9 million increase in the average volume of interest-bearing liabilities. The average rate paid on interest-bearing liabilities decreased to 6.44% for the first quarter of 1992 from 7.77% for the same period a year earlier resulting in a $10.9 million decrease in interest expense.

For a discussion relating to the changes in the volumes of interest-earning assets and interest-bearing liabilities see "**Financial Condition - Review of Balance Sheet.**"

The decline in yields on interest-earning assets for the first quarter of 1992 is reflective of the overall decline in market interest rates and was also affected by various other factors. Yields on mortgage-backed and related securities were negatively affected during the first quarter of 1992 by increased amortization of net premiums paid for such securities due to increases in actual prepayments received, increased assumptions for future prepayments and due to interest rate repricings on variable rate securities. Due to historically low market rates of interest available on mortgage loans, management anticipates continued high levels of prepayments into 1992 as borrowers continue to refinance existing loans. If this trend continues, yields on loans and mortgage-backed and related securities may continue to be negatively affected in future periods.

The cost of interest-bearing liabilities decreased during the quarter ended March 31, 1992 due to the decline in market interest rates. The overall decrease in yields on deposits resulting from the decline in market rates was partially offset by the net impact of interest rate swaps and interest rate caps and floors used to hedge the interest expense of certain deposit accounts. The decrease in rates on securities sold under agreements to repurchase was also reflective of the decline in market rates. The decrease in the rates on FHLB advances and other borrowings was also affected by additional amortization of fees related to prepayments of principal on the senior bank debt during the first quarter of 1991. Additionally, the increase in escrow deposits over the prior period at zero or minimal interest rates has reduced the effective rate on other borrowings.

While the yields earned on interest-earning assets and rates incurred on interest-bearing liabilities have both declined during the quarter ended March 31, 1992, Farm & Home has experienced an increase in its interest rate spread. This is primarily the result of Farm & Home's "net long" asset position. This means that the duration of Farm & Home's assets is slightly longer than the duration of its liabilities. This "net long" asset position coupled with a steepening of the yield curve, in which short-term rates have decreased faster than long-term rates, has caused Farm & Home's liabilities to reprice lower at a faster pace than its assets and an increased interest rate spread has resulted. This "net long" asset position is considered in the Association's interest rate risk management strategy. For a discussion of the Association's overall interest rate risk management strategy see "**Interest Rate Risk Management.**"

Provision for Loan Losses

A provision for loan loss is recorded when any significant decline in value or recoverability is deemed to have occurred, and includes provisions for general credit risks inherent in the loan portfolio. During the first quarter of 1992 and 1991, respectively, provisions of $892,000 and $608,000 were established as a result of the Association's Asset Classification Committee's analysis of the loan portfolio. This analysis includes such items as actual loan loss experience, current and anticipated economic conditions, and detailed analyses of individual loans for which full collectibility may not be assured. The analysis also includes a determination of the condition and fair value of collateral securing such loans. The provisions for the first quarter of 1992 were primarily to provide general valuation allowances for loans classified as substandard or doubtful for the first time and also in recognition of the increase in size of the loan portfolio. The provisions for the first quarter of 1991 were made to increase the level of general valuation allowances for loans classified as substandard, except one-to-four family residential, by the Asset Classification Committee. The 1991 provision also included a $300,000 provision, based on an updated collateral appraisal, for a multi-family real estate loan in Texas.

Non-interest Income

The following table presents information regarding non-interest income.

	Three Months Ended March 31,	
	1992	1991
	(In Thousands)	
Loan servicing fees	$1,718	$2,050
Income from real estate operations	157	701
Gain on trading account securities, net	633	-
Gain on sales of loans held for sale	441	94
Gain on sales of loans and securities held in portfolio	-	894
Other	1,777	1,455
Total non-interest income	$4,726	$5,194

Loan servicing fees net of amortization of PMSRs decreased $332,000 during the first quarter of 1992 when compared to the same period a year earlier. This net decrease is primarily due to increased amortization of the PMSRs. The Association amortizes PMSRs in relation to a current period's net servicing income as a percentage of total expected future servicing income. With the decrease in mortgage rates experienced in late 1991 and due to the historically low mortgage rates presently available on mortgage loans, prepayment rates have increased significantly. As prepayment rates accelerate, amortization increases due to less expected future servicing income. Therefore, future servicing income related to PMSRs may be adversely impacted by increases in actual prepayments received and increased assumptions for future prepayments.

Income from real estate operations decreased $544,000 for the three months ended March 31, 1992 compared to the three months ended March 31, 1991. The decrease is primarily attributable to a $1.0 million gain recorded during the first quarter of 1991 on the sale of a portion of one of the Association's real estate developments in Dallas, Texas. This decrease was partially offset by a $330,000 decrease in the holding costs associated with foreclosed real estate in the first quarter of 1992 due to a $10.7 million decrease in the volume of foreclosed real estate from $65.4 million at March 31, 1991 to $54.7 million at March 31, 1992.

The net gain on trading account securities is comprised of the change in market value of the portfolio from period to period, as well as the gains or losses on the financial futures contracts and option contracts hedging the portfolio. This line item does not include interest income on trading account securities or an allocation for interest expense. Management combines these components to evaluate the trading account against its stated performance objectives as outlined in the trading account policy. This account is marked-to-market on a daily basis. The trading account was established during the second quarter of 1991. See "**Financial Condition-Review of Balance Sheet**" for further discussion relating to the trading account.

Gain on sales of loans held for sale is a result of the sales of certain conforming whole mortgage loans and related servicing which were originated and held for sale. Additionally, this line item includes the gain or loss on the forward commitments used to hedge the Association's pipeline of unfunded loans held for sale. It is the Association's present strategy to sell all originations or acquisitions of those whole mortgage loans which do not currently meet the Association's targeted investment spread requirements. This strategy was implemented during the first quarter of 1991 and activity was limited during that period. Increased loan sales during the first quarter of 1992 account for the increased gains.

The net gain on sales of loans and securities held in portfolio of $894,000 for the quarter ended March 31, 1991 was comprised of (i) a net gain of $196,000 on the sale of all 15-year fixed-rate MBS held by the Association totaling $32.1 million, proceeds of which were reinvested into liquidity eligible assets; and (ii) a gain of $698,000 on the sale of all convertible adjustable-rate agency MBS held by the Association totaling $79.8 million which were sold as a result of a significant material adverse change in their actual and projected prepayment rates from those assumed at acquisition and because management believed that prepayments far in excess of those anticipated at the time of acquisition would likely prevail for the next several months thereby resulting in negative economic consequences. The Association's investment policy, in general, outlines certain conditions under which the Association may sell a security held in its investment portfolio.

Other Non-Interest Income

The following table presents information regarding other non-interest income.

	Three Months Ended March 31,	
	1992	1991
	(In Thousands)	
Loan fees	$ 559	$ 412
Checking account fees	321	205
Loss on disposition of office properties and equipment	(442)	(144)
Amortization of core deposit premiums	(169)	(143)
Management fees	18	448
Subsidiaries' other non-interest income	972	434
Other	518	243
	$1,777	$1,455

The increase in loan fees collected during the first quarter of 1992 is a result of an increase in late payment fees and various other loan fees collected due to the increased mortgage servicing portfolio in addition to more aggressive fee collection practices.

The increase in checking account fees is primarily due to an increased fee schedule implemented during 1991 for transaction accounts.

A loss on disposition of branch office properties and equipment was recorded during the first quarter of 1992 for the expected loss on planned future closing of two retail branches. During the first quarter of 1991, a loss of $146,000 was recorded on the sale of a branch office building in Dallas, Texas.

During the first quarter of 1991, $448,000 in management fees were collected from the RTC for conveyances managed on their behalf in connection with the servicing portfolio purchased from them in December 1990.

The increase in subsidiaries' income for the first quarter of 1992 was primarily a result of commission income received on increased activity of annuity sales through the Association's subsidiary, Consolidated Insurance Services, Inc.

The increase in other income during the first quarter of 1992 is primarily due to a $328,000 intangible tax refund which came as a result of a favorable court ruling on intangible taxes paid to the State of Missouri in prior years by the Association.

General and Administrative Expenses

The following table presents information regarding general and administrative expenses.

	Three Months Ended March 31,	
	1992	1991
	(In Thousands)	
Compensation and employee benefits	$5,817	$ 5,242
Advertising	101	117
Occupancy and equipment	2,570	2,281
Federal deposit insurance premium and assessments	1,661	1,673
Other	2,599	2,403
Total general and administrative expense	$12,748	$11,716

Compensation increased 11.0% to $5.8 million for the first quarter of 1992 from $5.2 million for the first quarter of 1991. This increase is attributable to additional employees who are performing mortgage loan origination and servicing functions as well as normal compensation increases for existing employees. There were 698 and 659 full-time equivalent employees at March 31, 1992 and 1991, respectively.

Occupancy and equipment expense increased $289,000 during the first quarter of 1992 primarily due to increased maintenance expense on data processing equipment.

Other General and Administrative Expenses

The following table presents information regarding other general and administrative expenses.

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
	(In Thousands)	
Legal fees	$ 221	$ 105
Professional fees	508	610
Office expense	1,072	880
Expense reimbursements	249	216
Holding company and subsidiaries' other general and administrative expense	349	216
Other	200	376
	$2,599	$2,403

Legal fees increased during the first quarter of 1992 as compared to the first quarter of 1991 primarily due to fees paid in relation to acquisition and real estate matters.

The $102,000 decrease in professional fees was due to a decrease in advisory fees for former management employees partially offset by an increase in fees paid to outside consultants.

Office expense increased due to increased supplies and telephone expense primarily attributable to the expanded loan origination and servicing functions.

The increase in subsidiaries' other general and administrative expense is primarily due to the increased annuity activity in the Association's subsidiary, Consolidated Insurance Services, Inc.

During January 1991, a subservicer was used to service the PMSR portfolio purchased from the RTC in December 1990 at a cost of $138,000 which is included in other general and administrative expense.

Provision for Real Estate Losses

Provisions for real estate losses amounted to $2.0 million and $2.3 million for the three months ended March 31, 1992 and 1991, respectively. The 1992 provisions include $1.7 million primarily on four non-residential properties located in Houston, Texas and $125,000 on one-to-four family properties as well as $146,000 on real estate developments. The 1991 provisions include $550,000 on a real estate investment, $873,000 on a real estate development and an increase in the overall level of general valuation allowances on foreclosed real estate and real estate held for investment and development. This increase in general valuation allowances was a result of an evaluation of industry standards, current trends, changing portfolio characteristics, historical loss experience, and economic conditions. The Association will continue to monitor the adequacy of general and specific valuation allowances and may increase them in future periods if deemed necessary.

Income Tax Expense

Income tax expense was $3.5 million or 35.4% of pre-tax income and $2.2 million or 34.4% of pre-tax income for the quarters ended March 31, 1992 and 1991, respectively. These rates are reflective of the corporate federal income tax rates adjusted for the effect of permanent differences between income for tax purposes and income determined on a GAAP basis. No provision for Missouri savings and loan tax was recorded due to available Missouri intangible tax credits which are used to offset this tax. Depending on future earnings, such credits may be exhausted during 1992, and should this occur, the effective tax rate may increase. A provision for the income tax component of the Texas franchise tax has also been recorded.

The consolidated federal income tax returns for the calendar years 1979, 1980, 1981, and 1982 have been examined by the Internal Revenue Service ("IRS"), and certain adjustments to taxable income that were proposed by the IRS have been tentatively resolved by Farm & Home and the IRS at the Appeals Division of the IRS. Farm & Home signed a closing agreement reflecting the negotiated resolution of these adjustments in January 1992 and is awaiting IRS execution of the document. It is anticipated that it may take two to five months before the IRS executes the document. If the IRS approves the closing agreement as submitted, Farm & Home will realize between $3.0 million and $4.0 million of income primarily related to the successful settlement of an item which represents a permanent difference and for which no benefit has been previously accrued. Management anticipates that the IRS will sign the closing agreement as submitted. However, no adjustments relating to this agreement have been recorded in the financial statements for the three months ended March 31, 1992.

The consolidated federal income tax returns for the calendar years 1986, 1987, 1988, and 1989 have also been examined by the IRS and certain adjustments to taxable income have been proposed. Some of the proposed adjustments are IRS savings and loan coordinated industry issues, e.g., core deposit intangible, excess servicing, and interest rate swap terminations. In February 1992, Farm & Home filed its protest to many of the adjustments and is currently awaiting the beginning of the appeals process with the Appeals Division of the IRS. Management believes that the proposed adjustments will be resolved without any material impact on Farm & Home's operations.

Interest Rate Risk Management

Overview. Changes in interest rates can erode both spread income and the value of an institution's equity. Controlling interest rate risk is as vital to the financial health of an institution as is the management of credit risk. As is typical in the thrift industry, funding longer term assets with short-term liabilities produces a balance sheet in which asset values display greater sensitivity to interest rate shifts than do liabilities. This is because most thrift's liabilities are relatively short-term in nature and changes in interest rates are reflected in an institution's cost of funds within several months as the short-term liabilities mature and are replaced by new liabilities at current rates. In contrast, assets of an association are generally longer term in nature and reprice more slowly. Therefore, a rise in prevailing interest rates will decrease the value of assets by more than it increases the value of liabilities and consequently, absent any activities designed to mitigate interest rate risk, an association's value would suffer from an increase in interest rates.

The Association's interest rate risk management program focuses on reducing the sensitivity of net interest income and the market value of portfolio equity ("MVPE"), defined as the net present value of the Association's existing assets, liabilities, and off-balance sheet instruments, to changes in interest rates through prudent management of the balance sheet. The overall strategy of the Association's interest rate risk management program is to extend the duration of liabilities to approximate the duration of assets. No single asset/liability management technique will mitigate the entire interest rate risk exposure of the Association. Therefore, management attempts to reduce the overall interest rate risk exposure in the most cost efficient manner by employing internal duration matching (balance sheet structuring) and/or external duration matching (purchasing interest rate swaps, caps and floors). These hedging techniques are utilized for the purpose of fixing or favorably adjusting the interest cost of liabilities over the assumed life of the assets funded.

Internal Hedging Strategies. The most desirable method of reducing interest rate risk is through balance sheet structuring, assuming this can be achieved without significantly increasing exposure to other risks such as credit risk and basis risk. The duration of liabilities can be extended through balance sheet structuring by substituting longer term certificates of deposit, FHLB advances and various other longer term liabilities for shorter term liabilities such as securities sold under agreements to repurchase or short-term deposits. This strategy is employed by the Association when these alternatives are economically attractive. Additionally, the duration of assets may be reduced when shorter duration assets with satisfactory option and credit adjusted spreads can be substituted for longer duration assets in the portfolio.

Derivative mortgage-backed securities are used by the Association to obtain favorable yields and to hedge interest rate risk, but only after a thorough analysis has shown that they provide the required hedging characteristics. These securities reallocate the cash flows from mortgage pass-through securities thereby creating multiple classes of securities with different maturity and risk characteristics. The maturity and risk characteristics usually work to effectively shorten the duration of the Association's assets. Association management has recognized the value of these instruments as both hedging vehicles and investments and has established a formal policy ensuring the prudent management of such securities.

External Hedging Strategies. If internal hedges are not available at attractive spreads and in sufficient quantities to reduce interest rate risk exposure to targeted levels, external hedging strategies are employed to synthetically adjust the duration of liabilities to more closely match that of assets. This external hedging strategy encompasses the use of financial instruments such as interest rate swaps and interest rate caps and floors. In choosing between financial hedging instruments with similar hedging benefits, management considers credit risk, transaction cost, market liquidity, accounting treatment, and pricing, including implied volatility of option contracts.

An interest rate swap is a contractual agreement between two parties to exchange cash flows based on a notional dollar amount of principal. These agreements typically provide for one party to make payments to a counterparty based on an index which reprices periodically over the contractual term of the swap while receiving a fixed rate of payment over the same time frame. The counterparty has the opposite obligation. Interest rate swaps are utilized to synthetically extend the duration of liabilities or to transform a fixed (floating) rate liability into a floating (fixed) rate liability that was otherwise unavailable in the market. Generally, the Association enters into swap agreements in which it agrees to pay a fixed rate payment and receive a variable rate payment. As a result, variable rates paid on the repricing of short-term deposits are offset by the variable rates received on the interest rate swap agreement. The fixed-rate paid on the swap agreement then becomes the effective fixed-rate on the notional amount of deposits hedged by the swap agreement.

The interest rate cap agreements the Association enters into are designed so that when the specified market interest rate exceeds the designated cap rate, the counterparty pays the Association the difference, usually on a quarterly basis for a specified period of time, based on the notional amount of the interest rate cap agreement. Interest rate caps work to fix the variable rates paid on the repricing of short-term deposits when those rates exceed the cap rate.

When the Association enters into an interest rate floor agreement, it purchases the right to receive payments if the specified market interest rate falls below the designated floor rate. Interest rate floors are used in combination with interest rate swaps so that as interest rates fall below the strike price of the floor, the cash inflows on the interest rate swap are converted in effect so that the net inflow on the swap/floor combination is a fixed-rate inflow for the repricing period and as long as the floor is "in the money." Therefore, the variable rates paid on short-term deposits once again become variable, in essence, and the Association is able to take advantage of current lower interest rates as these deposits reprice downward. However as the deposits reprice upward and exceed the strike price of the floor, the floor stops producing cash flows and the swap is again effective which causes the variable rate short-term deposits to effectively become fixed-rate deposits again.

When a cap or floor is not "in the money" it will continue to have some value due to the time and volatility value of the option. Interest rate caps and floors can be sold if the desired hedging goals can be met more economically or efficiently by utilizing another hedging strategy, or if they are no longer required as a hedging vehicle.

Measurement of Interest Rate Risk. Management of the Association is aware of the need to monitor the sensitivity of the investment portfolio even if all assets are duration matched with liabilities. The duration or elasticity of the Association will change as time passes and as the general level of interest rates change. Consequently, hedges must be rebalanced from time to time to maintain their effectiveness. Various methods are used to measure the impact of changes in the level of interest rates, the shape of the yield curve and interest rate volatility.

The Association uses "price elasticity" as the basis for interest rate risk management and control. Price elasticity is defined as the percentage change in the market value of a financial instrument resulting from a 100 basis point change in prevailing market interest rates. Duration is another term often used in a discussion of interest rate risk. Duration can be defined as the weighted average number of years until cash will be received on an asset or paid on a liability, using present value fractions as the weights. Usually an asset or liability with the longer time to maturity will have a longer duration.

Duration is useful in estimating the interest rate sensitivity of financial instruments whose cash flows are independent of prevailing interest rates, such as standard fixed-rate bonds. However, in determining the interest rate sensitivity of securities with prepayment options or adjustable rates, elasticity is a better measure than duration. For example, the sensitivity of an adjustable rate mortgage is dependent on the length of time to the next repricing of the adjustable rate and on the proximity of that rate to the annual and lifetime caps. Its sensitivity is less dependent on the weighted average life until the cash flows will be recovered. Therefore, elasticity is a measure which can be consistently and accurately applied to all financial instruments to determine interest rate sensitivity.

Interest rate risk management strategy is designed, implemented, and monitored under the direction of the Association's asset/liability committee ("ALCO"). ALCO uses the services of Association personnel and, to a limited degree, outside consultants to review economic data. ALCO considers the impact and magnitude of potential changes in the Association's MVPE and earnings over a wide range of interest rates. A risk sensitivity analysis is performed under the assumption of different interest rate scenarios before ALCO independently decides on a particular interest rate risk strategy.

The sensitivity of the Association's net interest income and MVPE to changes in interest rates is estimated as follows as of March 31, 1992:

	Estimated Changes In	
Interest Rates (1)	Net Interest Income (2)	Market Value of Portfolio Equity (3)
-4.0%	-14.7%	8.2%
-3.0%	-12.1%	7.6%
-2.0%	-8.9%	9.0%
-1.0%	-5.7%	7.0%
0.0%	0.0%	0.0%
1.0%	6.0%	-10.8%
2.0%	10.4%	-24.7%
3.0%	12.8%	-41.4%
4.0%	14.1%	-59.7%

(1) Interest rate changes are instant, sustained and parallel

(2) Net interest income changes are expressed as a percentage of annualized projected net interest income for the next twelve months. This projected amount of net interest income for the next twelve months assumes no changes in March 31, 1992 interest rates.

(3) Market value of portfolio equity changes are expressed as a percentage of estimated pre-tax market value of portfolio equity of $219.5 million at March 31, 1992, estimated with the assumption that there are no changes in March 31, 1992 interest rates.

The changes in market value of portfolio equity represent the present value of changes in future net interest income. The MVPE and 12-month net interest income calculation appear to move in opposite directions for changes in interest rates. Two basic reasons explain this difference. First, the average maturity of the Association's deposits is slightly less than one year, while most of its interest-earning assets are of a longer duration. As interest rates increase, interest income may not be adversely affected during the first 12 months since many deposits have not yet repriced. Subsequent periods would reflect lower income due to the higher rate paid on deposits and other interest-bearing liabilities as they reprice. Second, at higher rates, hedging expense through the use of interest rate swaps, caps and floors will decrease. This decline causes an immediate increase in net interest income. Much of this increase partially offsets losses in future periods subsequent to the maturity of the hedging instruments. The opposite occurs at lower rates.

Liquidity and Capital Resources

Liquidity management encompasses the maintenance of cash or liquid assets sufficient to fund the normal volume of deposit withdrawals and loan commitments. The maintenance of an appropriate level of liquid assets to meet not only regulatory requirements but also to provide the funding, if necessary, to meet the Association's business activities and obligations is an important part of managing the Association's assets.

Federal regulations currently require that an association maintain an average daily balance for each calendar month in cash and cash equivalents and certain marketable securities which are not encumbered, as determined by the Director of the OTS, of no less than 5% of net withdrawable accounts and borrowings payable on demand or maturing within one year or less. The liquidity requirements may be changed from time to time by the OTS to any percentage within the range of 4% to 10%. In addition, short-term liquid assets must constitute at least 1% of net withdrawable savings and short-term borrowings. For March 1992, the Association was in full compliance with these requirements and had a liquidity ratio of 5.56% and a short-term liquidity ratio of 5.54%.

Liquid assets, composed of cash, interest-earning deposits in other financial institutions, and investment securities amounted to $133.3 million at March 31, 1992, compared to $240.2 million at December 31, 1991. Certain investment securities owned are not considered eligible for liquidity requirements since they are pledged as collateral for certificate accounts, or otherwise encumbered for other purposes.

The primary sources of funds for the Association are principal and interest payments on loans and mortgage-backed and related securities, maturities of investment securities, customer deposits, advances from the FHLB of Des Moines, securities sold under agreements to repurchase, escrow deposits on loans serviced, and other borrowings. The Association attempts to utilize particular sources of funds based on comparative costs and availability. The Association generally prices its deposits to maintain a steady deposit base, but supplements deposits with alternative sources of funds when necessary.

The use of securities sold under agreements to repurchase may expose the Association to certain risks not associated with other sources of funds, including possible requirements to provide additional collateral in connection with such agreements and the possibility that such agreements may not be renewed. If for some reason the Association were no longer able to use securities sold under agreements to repurchase, it would be necessary for it to obtain an alternative source of short-term funds. No assurance can be given that such alternative source of funds would be available or, if available, would be an economically feasible substitute for such agreements. Further, it is not possible to determine with certainty the impact on the Association's operations should it no longer be able to utilize such agreements.

The Association had gross unrealized gains of $46.0 million and losses of $14.2 million on investment and mortgage-backed and related securities at March 31, 1992. Management believes these gross unrealized gains and losses will not have a significant impact on the Association's future income or liquidity because: (i) the Association relies on the factors stated in the previous paragraphs as its major sources of funds; (ii) the Association currently has the ability to hold these securities until maturity, and the intent to hold these securities under all reasonably foreseeable conditions; and (iii) the losses, if realized, would not be material to the Association's capital position.

As presented in the consolidated statements of cash flows, the sources of liquidity may vary from one period to the next. During the first quarter of 1992, cash flows from operating activities were reduced by the investment of funds in loans held for sale. Investing activities provided $35.9 million during the first quarter of 1992. The primary sources were principal payments on loans and mortgage-backed securities. These sources were partially offset by the origination and purchase of loans and mortgage-backed and related securities. The primary uses of funds in financing activities were a decrease in savings deposits and securities sold under agreements to repurchase. These cash outflows were partially offset by an increase in advance payments by borrowers for taxes and insurance, resulting in a net decrease in cash and cash equivalents during the three months ended March 31, 1992.

Farm & Home's liquidity is impacted by a regulatory restriction which currently limits dividend payments paid to it by the Association to 50% of the Association's surplus capital ratio over fully phased-in capital requirements at the beginning of a year plus 100% of the Association's year-to-date earnings as determined on a GAAP basis.

Farm & Home's stockholders' equity was $169.8 million as of March 31, 1992. At the same date, the Association's capital was $178.7 million, determined in accordance with GAAP. The Association is in compliance with the currently applicable tangible, core, and risk-based capital requirements. The following table presents the Association's capital levels at March 31, 1992, relative to current regulatory requirements.

	Regulatory Capital		Regulatory Capital Requirement		Excess Over Requirement	
	Amount	%	Amount	%	Amount	%
			(Dollar Amounts in Thousands)			
Tangible capital:	$173,504	5.02%	$ 51,811	1.50%	$121,693	3.52%
Core capital:	$176,181	5.10%	$103,702	3.00%	$ 72,479	2.10%
Risk-based capital:	$176,499	11.62%	$109,317	7.20%	$ 67,182	4.42%

As of March 31, 1992 the Association's regulatory capital, calculated in accordance with the fully phased-in 1994 regulatory capital requirements, exceeded such capital requirements as illustrated below:

	Regulatory Capital		Regulatory Capital Requirement		Excess Over Requirement	
	Amount	%	Amount	%	Amount	%
			(Dollar Amounts in Thousands)			
Tangible capital:	$171,822	4.98%	$ 51,775	1.50%	$120,047	3.48%
Core capital:	$174,499	5.05%	$103,631	3.00%	$ 70,868	2.05%
Risk-based capital:	$152,042	10.18%	$119,451	8.00%	$ 32,591	2.18%

The OTS is proposing to revise its risk-based capital regulation for savings associations to set forth the types of intangible assets that may be included in its tangible and core capital. This proposal also specifies the limits and discounts that would be applicable to such intangibles included in capital. The proposal is based on a tentative agreement on the treatment of intangible assets reached by the OTS, the FRB, the FDIC, and the Office of the Comptroller of the Currency (the "OCC").

Under this proposal, PMSRs and purchased credit card relationships ("PCCRs") would be defined as "qualifying intangible assets," and therefore could be included in core capital with certain limitations. The Association had approximately $41.8 million of PMSRs at March 31, 1992. For purposes of calculating regulatory capital, the amount of PMSRs reported as balance sheet assets would be limited to the lesser of 50% of core capital or the lesser of 90% of PMSRs' fair value, 90% of PMSRs' original purchase price, or 100% PMSRs' remaining unamortized book value. Under this approach, the amount required to be excluded from core and tangible capital would be the same. At March 31, 1992, the Association was in compliance with these limitations and could acquire approximately $46.3 million more of PMSRs and still be in compliance with the proposed capital requirements. The Association had no PCCRs at March 31,1992.

The OTS has in the past allowed certain core deposit intangibles ("CDIs") as qualifying intangible assets for purposes of determining regulatory capital requirements. However, because of its requirement under FIRREA to achieve a common interagency approach, the OTS is proposing to adopt the uniform interagency guidelines under which CDIs do not constitute qualifying intangible assets. This proposed rule would require CDIs to be deducted from an association's assets and capital. The OTS, however, is proposing to "grandfather" conservatively valued CDIs that result from transactions that are either in existence or under firm contract as of the effective date of the proposed rule. The Association had approximately $2.7 million of CDIs at March 31, 1992 which management believes would be "grandfathered" under this proposal.

The OTS has proposed a regulation to amend its capital rule on the core capital ratio requirement to reflect amendments by the OCC to the capital requirements for national banks. The proposal would establish a 3% core capital ratio for savings associations in the strongest financial and managerial condition. All other savings associations would be required to maintain core capital ratios of at least 4%.

In determining the amount of additional capital requirement in excess of 4%, the OTS will assess both the quality of risk management systems and the level of overall risk in each individual savings association through the supervisory process on a case-by-case basis. The OTS' supervisory judgment of a savings association's capital adequacy, both in terms of risk-based capital and the minimum core capital ratio, will continue to be based upon an assessment of the relevant factors present at each institution.

The Association's management anticipates that the Association will have to meet a minimum core capital requirement higher than the current 3% requirement. If this regulation is adopted as proposed, the Association believes that its current core capital excess will be reduced to approximately $37.9 million based upon a 4% requirement. Because of the proposed nature of this regulation and the case-by-case method of implementation of the regulation, the Association is not currently aware of its ultimate minimum core capital requirement.

PART II - OTHER INFORMATION

Item 1. Legal Information.

There are no material legal proceedings to which Farm & Home is a party.

The Association is a party to a number of other lawsuits and claims arising out of the conduct of its business. While the ultimate results of these lawsuits or other proceedings against the Association cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the consolidated financial condition or results of operations of Farm & Home.

There have been no material developments with respect to any of the litigation involving the Association reported in Farm & Home's Annual Report on Form 10-K for the year ended December 31, 1991.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:
11.1 Statement Regarding Computation of Per Share Earnings

15.1 Independent Auditors' Report of KPMG Peat Marwick dated April 23, 1992.

(b) Report on Form 8-K:
No reports on Form 8-K were filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FARM & HOME FINANCIAL CORPORATION
(Registrant)

May 4, 1992

By J Morton III
John Morton III
President and
Chief Executive Officer

May 4, 1992

By
J. Christopher Alstrin
Chief Financial Officer

May 4, 1992

By Marc Woodward
Marc Woodward
Chief Accounting Officer

Exhibit 11.1

STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

(In Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	1992	1991
Primary earnings per common share:		
Net income	$ 6,305	$ 4,120
Deduct dividends on preferred stock	(340)	(1,347)
Net income applicable to common stock	$ 5,965	$ 2,773
Average number of common shares and common stock equivalents outstanding (1)	4,529,542	4,343,516
Earnings per common share - primary	$ 1.32	$ 0.64
Fully diluted earnings per common share:		
Net income	$ 6,305	$ 4,120
Deduct dividends on Series A preferred stock	-	(1,008)
Net income applicable to common stock	$ 6,305	$ 3,112
Average number of common shares and common stock equivalents outstanding (2)	4,546,174	4,343,516
Additional common shares issuable upon conversion of preferred stock	1,526,049	1,557,115
Average number of common shares and common stock equivalents outstanding, assuming full conversion	6,072,223	5,900,631
Earnings per common share - fully diluted	$ 1.04	$ 0.53

NOTE: See Note 3 to the consolidated financial statements for further explanation of this computation.

(1) **Calculated using an average market price of common stock in applying the treasury stock method for options.**

(2) **Calculated using the higher of (a) an average market price of common stock, or (b) the ending market price in applying the treasury stock method for options.**

KPMG Peat Marwick

Certified Public Accountants

1600 Commerce Bank Building
P.O. Box 13127
Kansas City, MO 64199

Telephone 816 474 6480
Telex 434364 PMMCOMO

Telecopier 816 556 9652

Exhibit 15.1

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Farm & Home Financial Corporation:

We have reviewed the consolidated statement of financial condition of Farm & Home Financial Corporation and subsidiaries as of March 31, 1992, and the related consolidated statements of operations and cash flows for the three-month periods ended March 31, 1992 and 1991, and the statement of stockholders' equity for the three-month period ended March 31, 1992, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted accounting standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated statement of financial condition of Farm & Home Financial Corporation and subsidiaries as of December 31, 1991, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 7, 1992, we expressed an unqualified opinion on those consolidated financial statements. That report contains an explanatory paragraph relating to a lawsuit in which Farm & Home Financial Corporation's subsidiary, Farm & Home Savings Association, is a defendant, and the likely outcome of which is not presently determinable. In our opinion, the information set forth in the accompanying consolidated statement of financial condition as of December 31, 1991 is fairly presented, in all material respects, in relation to the consolidated statement of financial condition from which it has been derived.

KPMG Peat Marwick

April 24, 1992
Kansas City, Missouri

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FORM 10Q
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended

March 31, 1992

0-10782
Commission file number

FARMERS NATIONAL BANCORP, INCORPORATED /DE/
(Exact name of registrant as specified in its charter)

Delaware (State or other juridiction of incorporation or organization)	36-3150490 (I.R.S. Employer Identification No.)
121 West First Street Geneseo, Illinois (Address of principal executive offices)	61254 (Zip code)
(Registrant's telephone number, including area code)	309-944-5361

Indicate by check mark whether the registrant (1) has filed all reports required to be to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of each class	Shares outstanding March 31, 1992
Common stock, par value $5.00 per share	366,689

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

FARMERS NATIONAL BANCORP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

	Unaudited	Audited
	-In Thousands-	
	3/31/92	12/31/91
ASSETS		
Cash and due from banks	$5,440	$6,568
Interest-bearing deposits in other banks	0	499
Federal funds sold and securities purchased under resale agreements	4,500	5,350
Investments Securities (market value of $69,021,784 at March 31, 1992 and $68,816,000 at December 31, 1991)	66,993	66,072
Loans	75,988	76,156
Less: Allowance for loan losses	1,894	1,831
Unearned income	250	266
Net Loans	73,844	74,059
Premises and equipment	1,932	1,812
Accrued interest receivable	1,928	2,308
Intangible assets	718	746
Other assets	643	449
TOTAL ASSETS	$155,998	$157,863
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$9,543	$11,474
Interest-bearing	132,528	133,121
Total deposits	142,071	144,595
Securities sold under agreements to repurchase	161	351
Other liabilities	1,892	1,534
Mandatory convertible subordinated notes	0	0
Total liabilities	144,124	146,480
Contingencies and commitments	-----	-----
STOCKHOLDERS' EQUITY		
Common Stock; $5 par value; authorized 600,000 shares; issued 375,000 shares	1,875	1,875
Additional paid-in capital	1,635	1,635
Retained earnings	8,587	8,096
	12,097	11,606
Less: Treasury stock, 8,311 shares at cost	223	223
Total stockholders' equity	11,874	11,383
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$155,998	$157,863

FARMERS NATIONAL BANCORP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION
-Unaudited-

	-In Thousands- Quarter ended 3-31-92	 3-31-91
Interest income:		
Interest and fees on loans	$1,878	$1,869
Interest and dividends on investment securities:		
Taxable	1,113	1,276
Nontaxable	191	176
Interest on interest-bearings deposits	11	32
Other interest income	43	36
Total interest income	3,236	3,389
Interest expense:		
Interest on deposits	1,842	2,072
Interest on short-term borrowings	0	38
Interest on subordinated notes	0	15
Total interest expense	1,842	2,125
Net interest income	1,394	1,264
Provision for loan losses	0	0
Net interest income after provision for loan losses	1,394	1,264
Other income:		
Investment security gains (losses)	134	(44)
Other	191	122
Total other income	325	78
Income before operating expenses	1,719	1,342
Operating expenses:		
Salaries and employee benefits	466	439
Net occupancy expense	127	109
Exam, legal and audit fees	30	31
FDIC insurance premiums	81	66
Premium amortization	27	27
Other operating expenses	190	159
Total operating expenses	921	831
Income before income tax expense	798	511
Applicable tax expense	216	90
Net income	$582	$421

Per common share		
Income per share-assuming no dilution:		
Net income	$1.59	$1.44
Weighted average common shares outstanding	366,689	291,689
Income per share-assuming full dilution:		
Net income	$1.59	$1.17
Weighted average common shares outstanding	366,689	366,689

FARMERS NATIONAL BANCORP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
-Unaudited-

	-In Thousands- Quarter ended 3-31-92	 3-31-91
Cash flows from operating activities:		
Net income	$582	$421
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	53	46
Amortization of deposit premium	27	27
Provision for possible losses on real estate owned	1	0
Amortization/accretion of investment securities, net	39	24
Investment securities (gains) losses	(134)	44
Decrease in accrued interest receivable	379	193
(Increase) decrease in other assets	(192)	45
Increase in accrued interest payable	139	(92)
Increase in other liabilities	220	46
Net cash provided by operating activities	1,114	754
Cash flows from investing activities:		
Decrease in federal funds sold	850	3,400
Decrease in interest-bearing deposits in other banks	499	297
Proceeds from sales and maturities of investment securities	7,101	2,226
Purchases of investment securities	(7,928)	(2,773)
Net (increase) decrease in loans	215	(3,203)
Purchase of premises on equipment	(173)	(24)
Net cash provided by (used in) investing activities	564	(77)
Cash flows from financing activities:		
Net (Decrease) in deposit accounts	(2,525)	(520)
Increase (decrease) in securities sold with repurchase agreements	(189)	0
Dividends paid	(92)	(73)
Net cash provided by (used in) financing activities	(2,806)	(593)
Net increase (decrease) in cash and due from banks	(1,128)	84
Cash and due from banks, beginning of year	6,568	4,961
Cash and due from banks, end of period	$5,440	$5,045

Summary of Significant Accounting Policies

The Consolidated Statements of Condition of Farmers National Bancorp, Inc. and subsidiaries, at December 31, 1991, have been taken from audited financial statements at that date. All other consolidated financial statements contained herein have been prepared by the management of the Company and are unaudited. In the opinion of management, the accompanying unaudited consolidated financial statements presented herein contain all adjustments consisting of normal recurring accruals necessary to present fairly the financial position of the Company at March 31, 1992 and the results of its operations and statement of cash flows for the periods presented herein on a consistent basis with that of prior periods.

Item 2. Managements' Discussion and Analysis of Financial Condition and Results of Operations.

(1) Material Changes in Financial Condition

The Company experienced a marginal decrease in loans (.3%) and deposits (1.8%) during the quarter, both of which management believes to be seasonal fluctucation. Investment securities and equity capital increased by 1.4% and 4.3%, respectively, during the quarter.

There were no significant changes or trends which occurred during the period.

Under Federal Reserve regulations the company is required to maintain risk-based capital of at least 7.25%. At March 31, 1992 the Company's risk-based capital ratio was 13.33%. The Company's core or leverage capital is well above the required mininums.

The liquidity of the bank remains strong at March 31, 1992. Temporary investments less volatile liabilities, as a percent of total assets was 9.50% well above the peer group average of .36%. In addition, investment securities includes unrealized gains of $1,623,082 and unrealized losses of $111,222 of which management intends to hold until maturity.

(2) Material Changes In the Results of Operations

Net interest margins continue to increase, despite historically low interest rates. On a fully-taxable equivalent basis, the current net interest margin is approximate 4.1% compared to 3.7% a year ago, an 11% increase. Based upon average earnings assets of approximate $148,000,000, the result of the increased net interest margin is approximately $600,000 in additional net interest income per year.

The bank sold two investment securities during the first quarter of 1992, and recorded gains of $134,000. The sales were part of the banks asset/liability management plan to reduce its short-term repricing gap in anticipation of stable or rising rates.

Other noninterest income increased by $69,000 from period to period, mostly from increased service charge income.

Other noninterest expenses increased by 10.8%. Included in the increase was a 6% increase in salaries and benefits, and a 23% increase in FDIC insurance premiums.

Tax expense increased in 1992. In 1991 NOL carryforwards were utilized, which have now been used up. This resulted in a 27% tax rate in 1992 compared to 17% in 1991.

PART II. OTHER INFORMATION

Item 1. None to report.

Item 2. None to report.

Item 3. None to report.

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Stockholders was held on Tuesday, March 31, 1992 at 1:30 p.m. In addition to the election of directors, the following matters were submitted to the stockholders. A proposal to amend the Certificate of Incorporation (a) to classify the Board of Directors, (b) to provide that the number of directors shall be fixed within specified limits by resolution of the board, (c) to establish procedures for filling vacancies on the Board (d) to provide that directors may be removed only for cause, and to provide further that such provisions, once adopted, may be altered, amended or repealed only by a supermajority vote of the stockholders, was approved by a vote of 228,760 for; 44,944 against; 1,790 abstain.

A proposal to amend the Certificate of Incorporation to provide that stockholder action may be taken only at annual or special meetings of stockholders and may not be taken by written consent, and to provide further that such a provision, once adopted, may be altered, amended or repealed only by a supermajority vote of the stockholders, was approved by a vote of 230,813 for ; 43,611 against; 1,070 abstain.

A proposal to amend the Certificate of Incorporation to increase the stockholder vote required to consent to alter, amend to alter, amend, or repeal by-laws of the Company, and to provide further that such a provision, one adopted, may be altered, amended or repealed only by a supermajority vote of the stockholders, was approved by a vote of 229,959 for; 44,300 against; 1,235 abstain.

Item 5. None to report.

Item 6. None to report.

Signatures

Pursuant to the Requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FARMERS NATIONAL BANCORP, INC.

Dated: April 30, 1992

Gaylon E Martin

Gaylon E. Martin
President

Dated: April 30, 1992

Wayne A Hulting

Wayne A. Hulting
Controller

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FORM 10-Q.--QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

SECURITIES & EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

(X) Quarterly Report Pursuant to Section 13 of 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 1992

or

( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ____________ to ____________
Commission File Number 2-98089

GLENDALE BANCORPORATION
(Exact name of registrant as specified in its charter)

NEW JERSEY	22-2611727
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1099 White Horse Road, Voorhees, New Jersey	08043
(Address of principal executive offices)	(Zip Code)

(609) 346-8400
(Registrant's telephone number, including area code)

N/A
(Former name, address and fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(X) Yes ( ) No

As of April 30, 1992 there were 1,877,093 shares of Common Stock outstanding.

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
GLENDALE BANCORPORATION AND SUBSIDIARIES
CONDENSED FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF CONDITION
(Unaudited)
(Dollars in Thousands)

	December 31	March 31
	1991	1992
	in thousands	
ASSETS		
Cash and due from banks	$ 17,418	$ 12,287
Federal funds sold	4,250	12,350
Total cash & cash equivalents	21,668	24,637
Total investment securities	22,285	29,003
Loans	173,472	169,465
Less: Allowance for loan losses	(3,102)	(3,048)
Net Loans	170,370	166,417
Bank premises & equipment, net	10,386	10,324
Excess purchase price over fair value of net assets acquired	1,145	1,130
Other real estate	5,908	6,141
Accrued interest & other assets	3,333	4,377
Total assets	$ 235,095	$ 242,029
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing demand	$ 48,698	$ 50,914
Money market and NOW	50,861	56,958
Savings	37,049	41,581
Time deposits of $100,000 & over	12,517	11,313
Other time	66,016	60,521
Total deposits	215,141	221,287
Short term borrowings	2,870	2,700
Accrued interest & other liabilities	1,875	2,157
Long-term debt	2,657	2,657
Total liabilities	$ 222,543	$ 228,801
Limited Life Preferred Stock	$ --	$ 404
Stockholders' Equity		
Common stock, par value $2.50 per share Authorized 5,000,000 shares; outstanding 1,917,718 shares	3,837	3,837
Surplus	7,561	7,561
Undivided profits	1,442	1,714
Treasury stock (40,625 shares)	(288)	(288)
Total stockholders' equity	12,552	12,824
Total liabilities & stockholders' equity	$ 235,095	$ 242,029

See accompanying notes to consolidated financial statements.

GLENDALE BANCORPORATION
CONDENSED FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
(Dollars In Thousands Except Per Share Amounts)

	Three Months Ended March 31,	
	1992	1991
INTEREST INCOME:		
Interest and Fees on Loans	$ 4,354	$ 5,171
Interest on Investment Securities	306	518
Interest on Federal Funds Sold	125	79
Total Interest Income	4,785	5,768
INTEREST EXPENSE:		
Interest on Deposits	$ 1,946	3,041
Interest on Short-term borrowings	48	34
Interest on Long-Term Debt & Other Borrowings	62	61
Total Interest Expense	2,056	3,136
Net interest income	2,729	2,632
Provision for Loan Losses	330	150
Net Interest Income after Provision for Loan Losses	$ 2,399	$ 2,482
NON-INTEREST INCOME:		
Service Fees on Deposit Accounts	$ 439	$ 283
Other Service Fees and Commissions	40	110
Other Income	33	33
Total Non-Interest Income	512	426
NON-INTEREST EXPENSE:		
Salaries and Employee Benefits	1,278	1,413
Occupancy Expense, Net	232	231
Furniture and Equipment Expense	191	201
Other Expense	843	684
Total Non-Interest Expense	2,544	2,529
Income Before Federal Income Taxes	367	379
Federal Income Taxes	92	74
Net Income	$ 275	$ 305
Net Income per share	$ .15	$ .16

See Accompanying Notes To Consolidated Financial Statements

GLENDALE BANCORPORATION AND SUBSIDIARIES
CONDENSED FINANCIAL INFORMATION
STATEMENT OF CASH FLOWS
(Unaudited)
(Dollars in Thousands)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash Flows from Operating Activities:		
Net Income	$ 275	$ 305
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Depreciation	177	187
Provision for Loan Losses	330	150
Amortization of Intangibles	19	51
Accretion of Discount on Investments	(120)	(10)
Increase in Interest Receivable & Other Assets	(1,050)	(437)
Increase/Decrease in Interest Payable & Other Liabilities	282	(476)
Other, Net	(9)	(70)
Total Adjustments	(371)	(605)
Net Cash Used in Operating Activities	(96)	(300)
Cash Flows from Investing Activities:		
Proceeds from Sales & Maturities of Investments	8,711	3,565
Purchases of Investment Securities	(15,300)	(3,176)
Loans Made to Customers, Net	3,392	1,132
Premises & Equipment Expenditures	(115)	(37)
Net Cash Used in (Provided by) Investing Activities	(3,312)	1,484
Cash Flow from Financing Activities:		
Net Proceeds from Preferred Stock Issuance	404	--
Net Increase in Demand Deposits, Money Market and Savings	12,845	4,150
Net Proceeds from Sales of Certificate of Deposits	(6,699)	(13,611)
Net Decrease in Other Short-Term Borrowings	(170)	(661)
Dividends Paid	(3)	--
Net Cash Provided by (Used in) Financing Activities	6,377	(10,122)
Net Increase (Decrease) in Cash & Cash Equivalents	2,969	(8,938)
Cash & Cash Equivalents at Beginning of Period	21,668	17,642
Cash & Cash Equivalents at End of Period	$ 24,637	$ 8,704
Cash Paid During the Period For:		
Interest, Net	$ 2,235	$ 2,761
Income Taxes	$ 50	$ 580

See accompanying notes to consolidated financial statements.

GLENDALE BANCORPORATION AND SUBSIDIARIES
CONDENSED FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)
(Dollars in Thousands)

	Three Months Ended March 31,	
	1992	1991
Balance, January 1,	$ 12,552	$ 12,512
Net Income	275	305
Cash dividends paid	(3)	--
Balance, March 31,	$ 12,824	$ 12,817

See Accompanying Notes to Consolidated Financial Statements

GLENDALE BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991

(Unaudited)

NOTE 1: PRINCIPLES OF CONSOLIDATION

The financial statements include the accounts of Glendale Bancorporation (the "Company") and its wholly-owned subsidiaries Glendale National Bank of New Jersey and Glendale Bank of Pennsylvania. All material intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company all adjustments (consisting only of normal recurring accruals) which are necessary for a fair statement of the results of the operations for the interim period have been reflected herein.

NOTE 2: ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established through charges to operating expenses and is principally based upon management's evaluation of the loan portfolio, which takes into consideration such factors as economic conditions, loan portfolio composition, and past and expected future loss experience.

NOTE 3: EARNINGS PER SHARE

Earnings per share have been computed based upon the weighted average shares outstanding after giving effect to dilutive stock options and mandatory stock purchase contracts during the periods and retroactive adjustments for stock dividends.

NOTE 4: INCOME TAXES

The Financial Standards Accounting Board issued Statement No. 96 ("Accounting For Income Taxes") in December, 1987. Statement No. 96 required a change from the deferred method to the asset and liability method of accounting for income taxes. The Corporation elected to adopt Statement No. 96 beginning in 1988.

ITEM 2.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1992 VERSUS THE THREE MONTHS ENDED MARCH 31, 1991

The following analysis of the Corporation's consolidated financial condition and results for the three month period ended March 31, 1991 and 1992 is presented below.

NET INCOME

During the three months ended March 31, 1992, net income decreased to $275,000 from $305,000 recorded during the comparable 1991 period. On a per share basis, primary and fully diluted earnings were $.15, as compared with $.16 for the same period in 1991. The decrease in net income was primarily attributed to an increase in the provision for loan losses.

The Corporation's return on average assets was .47% for the three months ended March 31, 1992, as compared to .51% for the same period in 1991. The return on average shareholders' equity for the three months ended March 31, 1992 and 1991 was 8.65% and 9.63%, respectively.

NET INTEREST INCOME

Net interest income, which constitutes the principal source of income for the Corporation, is the amount by which interest earned on assets exceeds the interest paid on supporting funds. Glendale Bancorporation's net interest income increased by 3.7% during the three month period ended March 31, 1992 as compared to the same period in 1991. The increase was primarily attributed to a significant decline in interest expense on deposits which more than offset the decrease in interest income. Total interest expense declined to $2,056,000 during the three month period ended March 31, 1992 compared to $3,136,000 for the same prior year period as the Corporation benefitted from the steady decline in interest rates.

PROVISION FOR LOAN LOSSES

The provision for loan losses was $330,000 and $150,000 for the three months ended March 31, 1992 and 1991 respectively. The provision for loan losses reflects the Corporation's analysis of the loan portfolio and the evaluation of the adequacy of the allowance for loan losses. As of March 31, 1992, the allowance for loan losses represented 1.80% of total loans as compared with 1.55% as of March 31, 1991. Management considered the increased provision to be prudent in light of the ongoing recessionary environment. Additionally, a $75,000 provision was made to the reserve for other real estate owned properties during the first quarter of 1992.

NON-INTEREST INCOME

During the three month period ended March 31, 1992, non-interest income totalled $512,000, as compared with $426,000 recorded during the similar prior year period. This 20.2% increase was largely attributed to the greater income derived from service charges on demand deposit accounts.

NON-INTEREST EXPENSE

Total non-interest expense during the first three months of 1992 was $2,544,000 which was only slightly higher than the amount registered during the first three months of 1991. The decrease in personnel expenses was offset by an increase in the other expense category. Such other expense increases involved costs associated with other real estate owned, legal fees, and FDIC insurance.

INCOME TAXES

Applicable Federal income taxes increased to $92,000 for the three months ended March 31, 1992 from $74,000 for the same period in 1991. Changes in the tax provision each year primarily result from taxable income from operations.

The Corporation and its subsidiaries file a consolidated Federal income tax return. Separate State income tax returns are filed for each company based on the laws and regulations of the respective state in which they do business.

Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes", was issued by the Financial Accounting Standards Board ("FASB") in December 1987. Statement 96 required a change from the deferred method to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under Statement 96, the effect on deferred taxes of a change in tax rates is recognized as income in the period that includes the enactment date. Under the deferred method, deferred taxes were recognized using the tax rate applicable to the year of the calculation and were not adjusted for subsequent changes in tax rates. The Corporation elected to adopt Statement No. 96 in 1988 and subsequent years.

In February, 1992, FASB issued Statement No. 109, "Accounting for Income Taxes", which supercedes Statement No. 96. Statement No. 109, among other matters, addresses measurement and recognition of deferred taxes resulting from temporary differences as well as operating loss carry forwards. Statement No. 109 will be effective for fiscal years ending after December 15, 1992. The Corporation anticipates the prospective adoption of Statement No. 109 in 1993. Its adoption is not expected to materially impact the Corporation.

RISK ELEMENTS IN LOAN PORTFOLIO

The Corporation's loan portfolio is comprised of commercial, real estate and consumer loans. The following is a description of the Corporation's lending policies for each of these types of loans.

Commercial loans consist primarily of loans to business and individuals in the Corporation's service area. These loans are made based on the borrower's ability to repay the loan. Approximately 88% of the Corporation's commercial loan portfolio as of March 31, 1992 is comprised of secured loans based on appraised value at loan origination. These loans are secured by real estate, business equipment, U.S. Government Securities, bank deposits, or other securities. Personal guarantees of the principals are generally obtained for corporate financing. The Corporation also has loans guaranteed by the Small Business Administration. Loan to value ratios required vary based on the type of collateral. Loans secured by unlisted securities are made for 40% - 70% of market value based on an appraisal of the securities involved whereas loans secured by U.S. Government Securities may be made for up to 90% of market value.

Real estate loans consist primarily of commercial and residential mortgages in the Corporation's service area. The Corporation's policy is that loan to value ratios on commercial mortgages generally not exceed 80% of the appraised value of the real estate and that they not exceed 90% of the appraised value of the real estate on residential mortgages. These loans have varying payment terms not to exceed 30 years and generally provide for a balloon payment in three to five years. The Corporation has no equity participations.

Consumer loans consist primarily of loans to individuals in the Corporation's service area. These loans are principally secured and are made based on an individual's ability to repay. The collateral must have good marketability with a clearly adequate margin of value.

The Corporation has approximately 13% of its loan portfolio in loans to the restaurant industry. Other than the loans to this industry the Corporation has no significant loan concentrations, no foreign loans, no material agricultural loans and no material loans to energy producing customers. There are no unusual elements of risk associated with any of the aforementioned loan categories.

Nonperforming assets consist of (i) nonaccrual loans, (ii) loans which are accruing interest at previously negotiated rates, but which are contractually past due 90 days or more as to principal or interest, (iii) restructured loans, (iv) other real estate owned, and (v) in-substance foreclosures.

Nonaccrual loans are comprised principally of loans 90 days past due and loans now current, but where serious doubts exist as to the ability of the borrower to comply with the repayment terms. Commercial loans are placed on a nonaccrual status when a default of principal or interest has existed for a period of 90 days or more, unless the value of any collateral held equals or is greater than the principal and related interest due on the loan. Real estate loans are placed in a nonaccrual category at the time management institutes foreclosure proceedings, unless the value of any collateral held equals or is greater than the principal and related interest due on the loan.

Once a loan is placed in a nonaccrual status, interest previously accrued and uncollected which is not adequately collateralized is reversed and interest is included in earnings thereafter only to the extent actually received in cash. Installment and credit card loans are not ordinarily placed on a nonaccrual basis; rather, these loans are charged off to the allowance for possible loan losses when a default of principal or interest has existed for a period of 120 days or more. At that time, all previously accrued or uncollected interest is reversed.

Loans past due 90 days or more (as to interest or principal) are loans which management has determined are in the process of renewal in the normal course of business, or are well secured and in the process of collection. In such instances the accrual of interest is not discontinued.

Restructured loans are loans the terms of which have been restructured to provide for a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower. Interest on restructured loans is only recognized in current income at the renegotiated reduced rate and then only to the extent such interest is deemed collectible, primarily on a cash basis only.

Other real estate owned is comprised of real estate acquired through foreclosure or acceptance of a deed in lieu of foreclosure.

Loans classified as in-substance foreclosures have met the criteria established by FASB 15 "Troubled Debt Restructuring". A property which is classified as in-substance foreclosure becomes other real estate owned when title is transferred to the Corporation; however, the accounting for both is identical.

The following table sets forth information on nonaccrual loans, loans past due 90 days or more, restructured loans, and other real estate owned, including in substance foreclosures, as of the dates indicated.

	March 31,		December 31,
	1992	1991	1991
Nonaccrual loans	$ 5,662	$ 3,923	$ 5,293
Loans, past due 90 days or more	4,231	3,587	3,990
Restructured loans	1,224	1,413	--
Other real estate owned*	6,141	1,538	5,908
	$ 17,258	$ 10,461	$ 15,191
Percentage of nonperforming assets to loans outstanding and other real estate owned	9.83%	5.54%	8.47%

*Includes "in-substance" foreclosures.

The increase in the levels of the nonperforming loans over the past two years was primarily attributable to a deterioration in the New Jersey and eastern Pennsylvania economy, the Corporation's primary market. These conditions began in late 1989 after a strong economic expansionary period. This regional economic downturn has adversely affected both commercial and consumer borrowers who have experienced increased payment difficulties along with declines in values on collateral securing their loans.

Management is aggressively addressing these loans by the establishment of an active "loan work-out" department specifically responsible for reducing nonperforming loans to acceptable levels. All such loans are presently in various stages of workout, settlement, or foreclosure, to ensure a satisfactory resolution of this current situation.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of condition and results of operations for the periods indicated. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and the valuation of in-substance foreclosed loans and real estate acquired by foreclosure or in satisfaction of loans. In connection with the determination of these allowances, management generally obtains independent appraisals.

A portion of the Corporation's loans are secured by real estate in markets that are currently weak. Accordingly, as with most financial institutions in the market area, the ultimate collectibility of a substantial portion of the Corporation's loan portfolio is susceptible to changes in market conditions.

While management uses available information to recognize losses on loans, in-substance foreclosed loans and real estate acquired by foreclosure, future additions may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowances for losses on loans, in-substance foreclosed loans and real estate acquired by foreclosure. Such agencies may require the Corporation to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

LIQUIDITY AND ASSET LIABILITY MANAGEMENT

The liquidity of a banking institution reflects its ability to provide funds to meet loan requests, to accommodate possible outflows in deposits, and to take advantage of interest rate market opportunities. Funding of loan requests, providing for liability outflows, and management of interest rate fluctuations require continuous analysis in order to match the maturities of specific categories of short-term loans and investments with specific types of deposits and borrowing. Bank liquidity is thus normally considered in terms of the nature and mix of banking institution's sources and uses of funds. Loans and investments maturing in less than one year facilitate these needs.

RECENT AND PROPOSED LEGISLATION

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") was signed into law on August 9, 1989. While it focuses primarily on the recovery and reform of the savings and loan industry, there are several provisions which will affect commercial banks and bank holding companies. Such provisions include a new deposit insurance system, increased deposit insurance premiums, restrictions on acceptance of brokered deposits and increased consumer-related disclosure requirements. Management believes that the impact of these portions of the legislation will not have a material effect upon the financial position of the Corporation.

In addition, under FIRREA, bank holding companies are now able to acquire savings associations, upon the approval of the Federal Reserve Board and other applicable regulatory authorities. In this regard, the Corporation's Acquisition Committee periodically explores and evaluates potential acquisition candidates for the Corporation and its subsidiaries, including savings associations. In 1990, the Corporation entered into an Agreement to acquire New Jersey Savings and Loan Association ("NJSLA"). During the fourth quarter of 1991 the Corporation and NJSLA mutually agreed to terminate this Agreement.

On December 9, 1991, the Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDIC Improvement Act") became law. While the FDIC Improvement Act primarily addresses additional sources of funding for the Bank Insurance Fund, which insures the deposits of commercial banks and savings banks, it also imposes a number of new mandatory supervisory measures on savings associations and banks.

The FDIC Improvement Act requires financial institutions to take certain actions relating to their internal operations, including: providing annual reports on financial condition and management to the appropriate Federal banking regulators, having an annual independent audit of financial statements performed by an independent public accountant, and establishing an independent audit committee comprised solely of outside directors. The Act also imposes certain operational and managerial standards on financial institutions relating to internal controls, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits. The banking regulators are required to adopt final regulations implementing these standards by no later than December 1, 1992.

From time to time, proposals are made in the United States Congress, the New Jersey and Pennsylvania legislatures, and before bank regulatory authorities which would alter the powers of, and place restrictions on, different types of banking organizations. Among current legislative trends of significance to the Corporation and the Banks are the relaxation of the restrictions on the acquisitions of out-of-state banks by bank holding companies, the expansion of the powers of banks and thrift institutions and the relaxation of the restrictions upon the activities in which bank holding companies may engage.

In accordance with Federal law providing for deregulation of interest on all deposits, banks and thrift organizations are now unrestricted by law or regulation from paying interest at any rate on most time deposits. For several years commercial banks have experienced an increase in the cost of funds as a result of this deregulation. However, the recent economic environment and the significant decline in interest rates has, at least temporarily, negated the impact of deregulation as it relates to cost of funds.

DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

In December 1991, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments". This statement requires disclosure of the fair value of all financial instruments, both assets and liabilities recognized and not recognized in the consolidated statement of condition, for which it is practicable to estimate fair value. If estimating fair value is not practicable, descriptive information pertinent to estimating the value of financial instruments is required. This statement is effective for fiscal years ending after December 15, 1992. Although the effect of Statement No. 107 on the Corporation can not be fully ascertained at this time, its eventual adoption is not expected to materially impact the Corporation.

PREFERRED STOCK ISSUANCE

The Corporation's Articles of Incorporation authorizes the issuance of 2,500,000 shares of Preferred Stock, par value $2.50 per share in one or more series, with such terms as determined by the Board of Directors. During the first quarter of 1992, the Corporation consummated the sale of 142,154 shares of Preferred Stock through a private placement, par value $2.50 per share, at an offering price of $3.25 per share, with a minimum $20,000 investment. The Preferred Stock is convertible at the option of the holder into Common Stock of the Corporation at any time unless previously redeemed, at the predetermined conversion rates and after January 15, 1995, will be redeemable in whole or in part at the option of the Corporation at the redemption price of $3.25 per share, plus all declared and unpaid dividends. The Preferred Stock ranks senior to the Corporation's Common Stock with respect to dividends and liquidating distributions and though the Preferred Stock is nonvoting, certain voting rights will be granted if the Corporation fails to declare and pay dividends for a specified period of time.

PART II OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

The nature of the Corporation's and its subsidiaries' business generates a certain amount of litigation involving matters arising in the ordinary course of business. However, in the opinion of the management of the Corporation there are no proceedings pending to which the Corporation and/or its subsidiaries are a party or to which their property is subject which, if determined adversely to them, would be material in relation to the Corporation's capital or financial condition.

ITEM 2: CHANGES IN SECURITIES

No changes in registered securities.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4: SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

No matters were submitted to shareholders during the first quarter of 1992.

ITEM 5: OTHER INFORMATION

None

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

Exhibit 11 -- Computation of Earnings per Common Share on a Primary and Fully Diluted Basis

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLENDALE BANCORPORATION
(Registrant)

(Signature)

C. I. Costalas
Chairman of the Board, President
and Chief Executive Officer

Joseph J. Zullo
(Signature)

Joseph J. Zullo
Vice President and
Chief Accounting Officer

DATE: April 30, 1992

Exhibit 11

Computation of Earnings Per Common Share on a Primary and Fully Diluted Basis (in thousands, except for number of shares and per share data)

	Three Months Ended March 31,	
	1992	1991
	(in thousands, except for number of shares & per share data)	
Net Income	$ 275	$ 305
Weighted average outstanding common shares	1,877,093	1,887,093
Additional shares issued assuming exercise of stock options	--	2,887
Adjusted average outstanding common shares for computation of earnings per share	1,877,093	1,889,980
Earnings per common share	$ .15	$ .16

[redacted]

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

\__X__\\ QUARTERLY REPORT PURSUANT TO SECTION 13 OR (15d) OF THE SECURITIES EXCHANGE ACT OF 1934

892-2204

For the quarterly period ended March 31, 1992

\_____\\ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transaction period from __________ to __________

Commission file number 0-12371

GOODY PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-5654932
(State of other jurisdiction incorporation or organization	I.R.S. Employer Identification No.)
969 Newark Turnpike, Kearny, New Jersey	07032
(Address of principal executive offices)	Zip Code

Registrant's telephone number, including area code 201-997-3000

Former name, former address and former fiscal year, if changed since last report

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by checkmark whether the registrant has filed all documents and reports required to be filed by Section, 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
6,572,448 as of April 20th

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GOODY PRODUCTS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	($ in Thousands) March 31, 1992 (unaudited)	December 31, 1991
Assets		
Current assets:		
Cash & cash equivalents	$ 2,548	$ 1,140
Accounts receivable, less allowance for doubtful accounts of $988 at 3/31/92 and $841 at 12/31/91	39,745	22,055
Inventories	45,832	50,636
Refundable income taxes	-0-	404
Prepaid expenses & other current assets	3,133	2,204
Total current assets	91,258	76,439
Property, plant & equipment, at cost	99,817	100,102
Less accumulated depreciation & amortization	63,033	61,958
Net property, plant & equipment	36,784	38,144
Excess of cost over net assets of businesses acquired	7,111	7,164
Other assets	5,640	5,533
Total assets	$ 140,793	$ 127,280
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes Payable	70	130
Current installments of long-term debt	3,183	3,362
Accounts payable	7,831	8,559
Accrued expenses	14,751	10,946
Income taxes payable	2,229	-0-
Total current liabilities	28,064	22,997
Deferred compensation	1,940	1,973
Deferred income taxes	5,806	5,806
Long-term debt, excluding current installments	28,888	22,634
Stockholders' equity:		
Serial preferred stock $10 par value. Authorized 300,000 shares; none issued	-0-	-0-
Common stock $.10 par value. Authorized 20,000,000 shares; issued and outstanding: 6,571,098 at 3/31/92; 6,556,158 at 12/31/91	657	656
Additional paid-in capital	7,532	7,371
Retained earnings	67,827	65,526
Equity adjustment from foreign currency translation	79	317
Total stockholders' equity	76,095	73,870
Total liabilities & stockholders' equity	$ 140,793	$ 127,280

See Notes to Consolidated Financial Information.

GOODY PRODUCTS, INC. AND SUBSIDIARIES
Consolidated Statements of Earnings

	($ in Thousands) Except per share data	
	Three months ended March 31	
	1992	1991(a)
	(unaudited)	
Net sales	$ 60,226	$ 60,067
Cost of sales	35,369	35,098
Gross profit	24,857	24,969
Selling, shipping, general & administrative expenses	20,142	20,572
Operating earnings	4,715	4,397
Other expenses (income):		
Interest expense	801	1,097
Interest income	(7)	(150)
Other, net	87	51
Earnings before income taxes	3,834	3,399
Income taxes	1,534	1,390
Net earnings	$ 2,300	$ 2,009
Earnings per common share	$.35	$.31
Weighted average number of common shares outstanding	6,570,401	6,538,262

(a) Reclassified to conform to current year's presentation (See Note 1 of Notes to Consolidated Financial Information)

See Notes to Consolidated Financial Information

GOODY PRODUCTS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	($ in Thousands) Three Months ended March 31 1992	 1991
	(unaudited)	
Net cash provided by (used in) operating activities	$ (4,257)	(4,590)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(512)	(985)
Proceeds from the sale of property and equipment	-0-	6
Net cash used in investing activities	(512)	(979)
Cash flows from financing activities:		
Principal payments of short-term borrowings	(60)	-0-
Proceeds from issuance of long-term debt	19,994	32,899
Principal payments on long-term debt	(13,920)	(39,526)
Stock options exercised	163	—
Net cash provided by (used in) financing activities	6,177	(6,627)
Increase (decrease) in cash	1,408	(12,196)
Cash and cash equivalents at beginning of period	1,140	14,693
Cash and cash equivalents at end of period	$ 2,548	2,497
Supplemental cash flow data		
Cash paid during the period:		
Interest, net of portion capitalized	271	1,003
Income taxes	$ 121	224

See Notes to Consolidated Financial Information

Note 1. Basis of Presentation

The accompanying unaudited financial information was prepared from the books and records of the company and in the opinion of management includes all adjustments necessary for a fair statement of the results of operations for the periods presented. All such adjustments are of a normal, recurring nature.

The results of operations for the periods presented are not necessarily indicative of the results of operations for a full year.

Effective January 1, 1992, the company reclassified certain sales discounts and allowances formerly deducted against sales and included these discounts and allowances in expenses. This reclassification was effected to highlight and permit better control of sales promotion expenses. The change in presentation has no effect on operating or net earnings although it impacts gross profit and operating expense ratios. Such sales discounts and allowances, which previously were deducted from sales amount to $2,880,000 and $2,836,000, for the 3 months ended March 31, 1992 and 1991, respectively.

Note 2. Inventories

Inventories are valued at lower of cost (first-in, first-out) or market and consist of ($ in thousands):

	March 31, 1992	December 31, 1991
Finished goods	$ 20,124	$ 22,110
Work in process	6,012	5,288
Raw materials	19,696	23,238
	$ 45,832	$ 50,636

Note 3. Earnings per common share

Earnings per common share are calculated by dividing net earnings by the weighted average number of shares of Common Stock outstanding during the period.

FIRST QUARTER OF 1992 COMPARED TO FIRST QUARTER OF 1991

In an effort to highlight and control major categories of selling expenses, the accompanying 1991 statements of earnings were reclassified to include certain sales discounts and allowances which previously had been deducted directly from sales, in selling expense.

As a result, prior period sales increased $2,836,000 and expenses for the period also increased by a like amount. The corresponding amount for 1992 is $2,880,000. The reclassification affects reported gross profit and expense totals. Operating earnings, pre-tax and net earnings are not effected by this change.

Sales for the first quarter ended March 31, 1992, increased .2% to $60,226,000 compared to $60,067,000 for 1991. The company believes that the first quarter results reflect a continuing recessionary business environment which has existed for more than eighteen months. Retailers' more prudent purchasing actions are a direct result of continued consumer apprehension in the marketplace and we believe this trend will continue for the next six months.

As a percentage of net sales, gross margin declined slightly from 41.6% to 41.3%. The decrease was caused by an increase in the provision for inventory obsolescence.

Selling (including sales promotion expense), shipping and general and administrative expenses decreased 2.1% or $430,000 and were at 33.4% of sales compared to 34.2% for the prior year. This reduction reflected decreased expenditures relating to marketing and distribution.

Interest expense (net of interest income) declined $153,000 or 16.2% reflecting both lower rates and reduced borrowings.

Pre-tax income increased $435,000 or 12.8% reflecting reduced expenses and interest offset by somewhat lower gross profit.

Net earnings increased to $2,300,000 ($.35 per share) from $2,009,000 ($.31 per share) a year ago.

FINANCIAL CONDITION
Liquidity and Capital Resources

In the first three months of 1992, the company's operating activities used cash in the amount of $4,257,000 compared to $4,590,000 in 1991. The $333,000 decline was mainly attributed to the fact that working capital, excluding cash, increased $8,344,000 compared to a $8,864,000 increase in the first quarter of 1991.

Net cash used in investing activities declined $467,000 to $512,000. Management believes that its existing property, plant and equipment and planned capital expenditures for 1992 of approximately $5,800,000 are sufficient to conduct its operations in the normal course of business.

Net cash provided by financing activities during the first quarter of 1992 amounted to $6,177,000 and relates principally to an increase in long term debt to finance the company's seasonal working capital requirements. However, in 1991, working capital and other requirements were financed by funds on hand January 1st and excess funds were used to reduce long term debt.

The Company anticipates that funds available under its revolving credit agreement ("Revolver") and cash generated through operations will be sufficient to meet its working capital needs and provide it with the necessary liquidity to conduct its business in the normal course through 1992 and 1993.

The Revolver and other debt arrangements permit the Company to declare dividends up to 25% of cumulative consolidated net earnings for the period subsequent to December 31, 1990. No assurance, however, can be given as to when the Company may determine it is appropriate to declare dividends or their amounts.

Nothing to Report

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto, duly authorized.

GOODY PRODUCTS, INC.

By
Kevin E. Walsh
Executive Vice President-Finance
and International Operations

Date

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarter ended March 31, 1992

_____ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

HORIZON BANKS, INC.

(Exact Name of Registrant as Specified in its Charter)

New Hampshire (State of Incorporation)	02-0415629 (IRS Employer Identification Number)

P.O. Box 2067
197 Loudon Road, Concord, NH
(Address of Principal Executive Offices)

03302-2067
(Zip Code)

Registrant's Telephone Number: (603) 226-3600

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Not Applicable

Former Name, Former Address and Former Fiscal Year
(If Changed Since Last Report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file for such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes (X) No ( )

As of May 5, 1992 there were 1,640,480 shares of the Corporation's Class A Common Stock, $0.10 par value, outstanding.

HORIZON BANKS, INC.
FORM 10-Q
March 31, 1992

PART 1

FINANCIAL INFORMATION

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Item 1. Financial Statements

The following consolidated financial statements are included within:

Consolidated Balance Sheets (unaudited) as of March 31, 1992 and December 31, 1991. 3

Consolidated Statements of Operations (unaudited) for the three months ending March 31, 1992 and March 31, 1991. 4

Consolidated Statements of Cash Flows (unaudited) for the three months ending March 31, 1992 and March 31, 1991. 5

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HORIZON BANKS, INC
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 1992	December 31, 1991
Assets		
Cash and due from banks	$ 1,384,480	1,555,939
Short-term investments	502,125	1,006,047
Federal funds sold	325,000	1,877,516
U.S. Government and agency securities, at cost (market value $13,875,000 and $12,843,000)	13,383,029	12,472,356
Loans		
Loans	38,237,603	38,790,697
Less: Allowance for possible loan losses	(1,060,791)	(1,622,701)
Net Loans	37,176,812	37,167,996
Real estate acquired by foreclosure or substantively repossessed	1,212,733	985,310
Bank premises and equipment	968,345	987,795
Accrued interest receivable	502,946	495,372
Other assets	194,489	122,569
Total assets	$55,649,959	56,670,900
Liabilities and Stockholders' Equity		
Deposits		
Demand	$ 4,523,332	5,587,169
NOW and money market	5,920,822	5,460,898
Savings	30,992,343	30,098,387
Time certificates	9,536,546	10,794,900
Total deposits	50,973,043	51,941,354
Other borrowed funds	819,120	807,150
Accrued interest payable and other liabilities	133,426	261,925
Total liabilities	51,925,589	53,010,429
Commitments and contingencies		
Stockholders' equity		
Class A common stock, par value $.10 per share, 2,000,000 shares authorized, 1,640,480 shares issued and outstanding	164,048	164,048
Class B common stock, par value $.10 per share, 2,000,000 shares authorized, no shares issued and outstanding	...	...
Paid-in capital in excess of par value	7,170,655	7,170,655
Accumulated deficit	(3,610,333)	(3,674,232)
Total stockholders' equity	3,724,370	3,660,471
Total liabilities and stockholders' equity	$55,649,959	56,670,900

HORIZON BANKS, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Quarter Ended March 31, 1992	Quarter Ended March 31, 1991
Interest income:		
Short-term investments	$ 11,923	...
Federal funds sold	13,090	65,279
U.S. Government and agency securities	213,044	137,650
Loans	878,999	1,079,898
Total interest income	1,117,056	1,281,835
Interest expense:		
NOW and money market	42,441	49,961
Savings deposits	320,822	437,211
Time certificates	137,703	220,021
Short-term borrowings	6,727	10,753
Total interest expense	507,693	717,946
Net interest income	609,363	563,889
Provision for possible loan losses	75,000	51,417
Net interest income after provision for possible loan losses	534,363	512,472
Other operating income:		
Service charges on deposits	61,616	35,406
Gain on sales of U.S. Government and agency securities	54,084	...
Other	47,315	25,787
Total other operating income	163,015	61,193
Net interest income after provision for possible loan losses and other operating income	697,378	573,665
Other operating expenses:		
Salaries and benefits	256,107	236,962
Occupancy	51,379	44,740
Real estate operations, net	48,250	15,809
Other	277,743	264,701
Total other operating expenses	633,479	562,212
Income before provision for income taxes and extraordinary item	63,899	11,453
Provision for income taxes	21,725	3,800
Income before extraordinary item	42,174	7,653
Extraordinary item:		
Tax Benefit of the Utilization of Net Operating Loss Carry Forward	21,725	3,800
Net income	$ 63,899	11,453
Net income per share of common stock	$ .04	.01
Weighted Average Number of Common Shares Outstanding	1,640,480	1,640,486

HORIZON BANKS, INC
CONSOLIDATED
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDING MARCH 31,	
	1992	1991
Cash Flow of Operating Activities		
Net Income	$ 63,899	$ 11,453
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities		
Provision for possible losses on loans	75,000	54,417
Gain on sale of Real Estate acquired by foreclosure	(25,000)	
Gain on sale of U.S. Government Securities	(54,084)	
Depreciation and Amortization	34,178	45,750
Increase (Decrease) in deferred loan origination fees	4,093	(416)
(Decrease) Accrued Interest Payable and in Other Liabilities	(128,499)	(30,319)
(Increase) in Accrued Interest Receivables	(7,574)	(32,326)
(Increase) in Other Assets	(76,578)	(29,361)
Residential Loans Originated for Sale	(1,190,400)	(890,203)
Principal Balance of Residential Loans Sold	1,190,400	890,203
Net Cash Provided (Used) by Operating Activities	(114,565)	16,198
Cash Flow from Investing Activities		
Purchase of Investment Securities	(3,711,564)	(2,543,670)
Proceeds from maturities of U.S. Government Securities	1,300,891	1,108,702
Proceeds from sale of U.S. Government Securities	1,554,084	
Loans Originated	(4,690,031)	(8,840,034)
Loan Principal Payments Received	4,204,699	8,397,332
Purchases of Premises and Equipment	(10,070)	(100,854)
Proceeds from Sale of Real Estate Acquired by Foreclosure	195,000	
Net Cash (Used) by Investing Activities	(1,156,991)	(1,978,524)
Cash Flow from Financing Activities		
Net Increase (Decrease) to Savings and Time Certificates of Deposit	(364,398)	3,377,315
Net Increase (Decrease) in Demand, NOW Accounts and Money Market Deposits	(603,913)	(879,330)
Increase (Used) in Other Borrowed Funds	11,970	(511,298)
Net Cash Provided by (Used) Financing Activities	(956,341)	1,986,687
Net (Decrease) Increase in Cash and Cash Equivalents	(2,227,897)	24,361
Cash and Cash Equivalents at Beginning of Period	4,439,592	4,650,100
Cash and Cash Equivalents at End of Period	2,211,695	4,674,461
Supplemental Schedule of Non-cash Investing and Financing Activities		
Cash Paid for Interest	513,350	557,230
Cash Paid for Taxes	0	0
Other Real Estate Owned Acquired in Settlement of Loans	397,423	87,400

See accompanying notes to Consolidated Financial Statements

HORIZON BANKS, INC.
Notes to Consolidated Financial Statements
March 31, 1992

(1) Accounting Policies

Financial information as of March 31, 1992 and the results of operations and cash flows for all periods presented herein are unaudited, and in the opinion of management reflect all adjustments (which consist primarily of normal recurring accruals) necessary for a fair presentation of such information. Interim results are not necessarily indicative of the results to be expected for a full year.

(2) Statement of Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents consist of cash and due from banks, short-term investments, and Federal Funds sold.

(3) Lending Commitments

On March 31, 1992 the Bank had commitments to advance monies under lines of credit of approximately $5,024,000. Standby letters of credit outstanding totalled $235,000 at March 31, 1992.

PART I

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The sole subsidiary of Horizon Banks, Inc. (the "Company"), is Horizon Bank and Trust (the "Bank"). As all of the Company's business is conducted by the Bank, the following discussion refers to operations of the Bank.

Results of Operations

The net income for the first quarter of 1992 was $63,899 compared to a net income of $11,453 for the comparable period of 1991.

Net interest income for the three (3) months ending March 31, 1992, was up 8% to $609,363 as compared to $563,889 for the same period in 1991 primarily because of a decline of interest on deposits. Average loans outstanding were essentially flat at $38,200,000 while the average yield declined from 11.34% to 9.34%. Investment securities (including short-term investments and federal funds sold) average balance increased 33% to $15,227,000 while yields decreased from 7.17% to 6.27%. The decline in average loan yields were impacted by two (2) factors, variable rate loan repricing at lower rates consistent with declining market rates and the slight increase of non-accrual loans. As a percentage of average loans outstanding, non-accrual loans increased to 2.66% from 2.29% in the same period last year. The decline in investmont yields is because of maturing investments being reinvested in lower rates along with additional investments at lower rates.

Average cost of funds declined substantially to 3.89% from 6.40%. The decline in rates is for two (2) reasons, one generally lower interest rates are paid on deposits and the mix of deposits has changed. Demand deposits and NOW accounts are 15.6% of all deposits on average in the first quarter of 1992 compared to 11.4% in the first quarter 1991 on average.

Total other operating income increased from $61,193 to $163,015. Gains on sales of Government securities equals $54,084 of the increase. All other non-interest income increase 78% reflecting increased account volume and a large number of mortgage refinancing where customers are taking advantage of lower rates.

Other operating expenses have increased 13% to $633,479 for the three (3) months ending March 31, 1992 as compared to $562,212 for the three (3) months ending March 31, 1991. Included in these expenses are salaries of $256,107 up 8%, occupancy $51,379 up 14%, and other operating expenses of $277,743 up 5%. Also included is real estate operations, net, the result of other real estate owned expenses net of gains or real estate sold of $25,000.

Allowance For Possible Losses on Loans

Possible loan losses are recognized using the allowance method. The provision for possible loan losses was $75,000 for the first quarter of 1992 compared to $51,417 for the first quarter of 1991. Charge offs totalling $638,000 for previously identified non-performing loans were taken during the first quarter ending March 31, 1992. This is compared to $338,000 charged off the first quarter of 1991.

The following table summarizes the changes in allowance for loan losses for the three months ending March 31, 1992 and the year ending December 31, 1991. Along with a summary of non-performing and restructured assets as of March 31, 1992 and December 31, 1991.

ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(000 omitted)	Quarter Ending March 31, 1992	Year Ending December 31, 1991
Balance, beginning of period	$1,623	1,145
Provision, charged to expenses	75	2,001
Total	1,698	3,146
Loans charged off	(638)	(1,562)
Recoveries on loans previously charged off	1	39
Balance, end of period	$1,061	1,623
Allowance as a percent of Gross Loan Balances	2.77%	4.19%

NON-PERFORMING AND RESTRUCTURED ASSETS ARE SUMMARIZED AS FOLLOWS:

(000 omitted)	March 31, 1992	December 31, 1991
Non-Accrual Loans	$ 698	1,299
Real Estate acquired through foreclosure	1,213	985
Restructured Loans	156	157
Total Non-Performing Assets	$2,067	2,441

TOTAL NON-PERFORMING ASSETS AS A PERCENT OF:

	March 31, 1992	December 31, 1991
Total Assets	3.71%	4.31%
Total Shareholders' Equity	55.5%	66.7%

ALLOWANCE FOR POSSIBLE LOAN LOSSES AS A PERCENT OF:

Non-Accrual Loans	152%	125%
Non-Accrual and Restructured Loans	126%	111%
Non Performing Assets	51%	66%
Total Loans	2.77%	4.19%

The provision for loan losses and the resulting allowance for possible loan losses reflect a severely economically impacted New England real estate market. Although management has made its best estimates of future loan losses, there is continued economic uncertainty and other outside influences, such as the disposition of assets owned by the F.D.I.C., that effect not only the general economy as a whole but particularly the values of collateral securing our loans, especially real estate. It is possible that these conditions could result in additional charge offs, a higher level of allowance for losses, and a higher level of non-performing and restructured assets. In addition, there can be no assurance that the Bank's regulators would concur with the Bank's analysis.

Liquidity

Liquidity is an important indicator of the Company's overall financial condition. Liquidity management involves the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw funds or borrowers needing assurances that sufficient funds will be available to meet their credit needs. The Company tries to maintain liquidity while at the same time meeting local loan demand. As of March 31, 1992 cash due from banks was $1.4 million. Federal funds sold and short-term investments were $827,000 and U.S. Government and Agency Securities equalled $13.4 million for a total of $15.6 million compared to a total of $12.8 million at March 31, 1991. These sources of funds combined with amortization of the loan portfolio, prepayment of loans, should continue to enable the bank to meet the needs of our customers.

Capital Resources

At March 31, 1992 the Company's equity capital was $3.724 million or 6.69% of total assets.

The Company and the bank are regulated by the Federal Reserve Board. In January 1989, the Federal Reserve Board adopted Final Risk-Based Capital Guidelines for Bank Holding Companies. these guidelines establish a risk-based ratio relating capital to different categories of balance sheet assets and off-balance sheet obligations based upon risk. At December 31, 1991, the minimum risk-based capital ratio required was 7.25% and will increase to 8.0% on December 31, 1992. the Bank's risk-based capital ratio at March 31, 1992 was 10.71%. The Company's risk-based capital ratio was 10.79%.

Impact of Inflation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on the Company's operations is reflected in increased operating costs. Virtually all of the Company's assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

PART II

Other Information

Item 1. Legal Proceedings

These are no material pending legal proceedings to which the Company or the Bank is party of or of which their property is subject. The Bank is, however, from time to time involved in ordinary pending litigation incidental to its business.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Securities Holder

At the Annual Meeting of the Company held on April 21, 1992 the following directors were elected to a three year term:

Kenneth A. Bradley, Thomas W. Brightman, Richard W. Burpee, Daniel E. Church, and Thomas E. King

The following individuals continue to serve as directors:

Bruce D. Clow, Raymond P. D'Amante, Forrest D. McKerley, David T. McLaughlin, Peter P. Timbas, Thomas D. Rath, Charles F. Whittemore, Sherilyn Burnett Young, and J. Daniel Davidson.

At the Annual Meeting the shareholders voted to Amend the Articles of Incorporation to delete Article IV and replace it in its entirety authorizing 5,000,000 shares of Class A Common Stock, $.10 par value per share.

Item 5. Other Information

Management and the Company's directors regret to report that Director David A. Hodges, Sr. has resigned as Director of both the Company and the Bank. This resignation was effective April 16, 1992.

Item 6. Exhibits and Reports on Form 8-K

a.) Not Applicable

b.) No reports on Form 8-K were filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HORIZON BANKS, INC.

DATED: May 5, 1992

By:
Bruce D. Clow, President and Chief Executive Officer

DATED: May 5, 1992

By:
Thomas W. Brightman, Executive Vice President, Treasurer and Assistant Secretary
(Principal Financial and Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 0-13324

JUDICATE, INC.
(Exact name of registrant as specified in its charter)

Delaware	23-2257354
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1500 Walnut Street, Suite 1300, Philadelphia, PA	19102
(Address of principal executive offices)	(Zip Code)

(215) 546-6200
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______

As of May 1, 1992, the Registrant had 14,653,710 shares of Common Stock, $.0001 par value, outstanding.

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JUDICATE, INC.

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PART I. Financial Information

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Condensed Consolidated Statements of Operations (Unaudited) - Three Months Ended March 30, 1992 and 1991 3

Condensed Consolidated Statement of Cash Flows (Unaudited) - Three Months Ended March 31, 1992 and 1991 4

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

JUDICATE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 1992 AND DECEMBER 31, 1991

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991 (Unaudited)
Current assets:		
Cash and cash equivalents	$ 576,593	$ 610,254
Receivables, trade and other, net of allowance for doubtful accounts of $360,000 in 1992 and $350,000 in 1991	679,132	503,831
Prepaid expenses	9,876	23,917
Total current assets	1,265,601	1,138,002
Property and equipment, net of accumulated depreciation and amortization of $580,057 in 1992 and $444,559 in 1991	459,395	408,393
Other assets:		
Deposits	34,181	14,609
Deferred expenses	26,995	-
	61,176	14,609
Total Assets	$1,786,172	$1,561,004

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991 (Unaudited)
Accounts payable and accrued expenses	731,094	511,416
Other current liabilities	81,807	81,575
Total current liabilities	812,901	592,991
Deffered rent payable	105,972	68,290
Total liabilities	918,873	661,281
Commitments and contingency	-	-
Shareholders' equity		
Common Stock $.0001 par value; authorized 30,000,000 shares; issued and outstanding 13,188,710 shares in 1992, 12,869,210 shares in 1991	1,319	1,287
Additional paid-in capital	11,205,204	10,990,721
Accumulated Deficit	(10,138,130)	(9,843,027)
Less unearned compensation	(201,094)	(249,258)
Total shareholders' equity	867,299	899,723
Total liabilities and shareholders' equity	$ 1,786,172	$ 1,561,004

See notes to condensed consolidated financial statements.

JUDICATE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	Three Months Ended March 31, 1992 (Unaudited)	Three Months Ended March 31, 1991 (Unaudited)
Fee income	$ 1,429,581	$ 668,188
Operating costs and expenses:		
Cost of Service	286,061	162,860
Sales and Marketing	542,889	198,545
General and administrative	899,667	352,693
	1,728,617	714,098
Loss from operations	(299,036)	(45,910)
Investment income, net	3,933	-
Net loss	($ 295,103)	($ 45,910)
Loss per common share	($ .023)	($ .006)
Weighted average number of common shares outstanding	13,028,960	7,715,139

See notes to condensed consolidated financial statements.

JUDICATE, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991

Increase (Decrease) in Cash and Cash Equivalents

	March 31, 1992 (Unaudited)	March 31, 1991 (Unaudited)
Cash flows from operating activities:		
Net loss	($ 295,103)	($ 45,910)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization	105,505	47,387
Provision (recoveries) for losses on accounts receivable	10,000	(500)
Amortization of deferred compensation	48,164	-
Change in assets and liabilities:		
Increase in accounts receivable	(185,301)	(179,838)
(Increase) Decrease in prepaid expenses and deposits	(5,531)	22,231
Increase (decrease) in accounts payable, accrued expenses and other liabilities	257,592	(10,987)
Net cash used in operating activities	(64,674)	(167,617)
Cash flows from investing activities:		
Acquisitiom of property and equipment	(156,507)	-
Net cash used in investing activities	(156,507)	-
Cash flows from financing activities:		
Proceeds from the exercise of warrants and options	214,515	272,333
Increase in deferred offering costs	(26,995)	-
Net cash provided by financing activities	187,520	272,333
Increase (Decrease) in cash and cash equivalents	(33,661)	104,716
Cash and cash equivalents at beginning of period	610,254	144,418
Cash and cash equivalents at end of period	$ 576,593	$ 249,134

See notes to condensed consolidated financial statements.

JUDICATE, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

Note 1. Basis of Presentation.

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. The condensed consolidated balance sheet as of December 31, 1991 has been derived from the audited consolidated balance sheet at that date. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

Note 2. Financial Statement Presentation.

The Balance Sheets as of March 31, 1992 and December 31, 1991 and the Statements of Operations for the three months ended March 31, 1992 and 1991 are consolidated to include the accounts of AIS. However, the Company ceased providing ADR services through AIS during the third quarter of 1991.

Note 3. Historical and Pro Forma Data.

The following sets forth historical consolidated balance sheet data and pro forma consolidated balance sheet data at March 31, 1992. The pro forma consolidated balance sheet data gives effect to $881,875 raised by the Company during the period from April 1, 1992 through April 30, 1992, through exercises of Series D Warrants to purchase the Company's common stock. All such Series D Warrants were exercised as of April 30, 1992.

ASSETS

	(Unaudited) Historical	(Unaudited) Pro Forma
Current Assets	$1,265,601	$2,147,476
Property and equipment, net	$ 459,395	$ 459,395
Other Assets	$ 61,176	$ 61,176
Total Assets	$1,786,172	$2,668,047

LIABILITIES AND SHAREHOLDERS' EQUITY

	(Unaudited) Historical	(Unaudited) Pro Forma
Current Liabilities	$ 812,901	$ 812,901
Other Liabilities	$ 105,972	$ 105,972
Shareholders' Equity	$ 867,299	$1,749,174

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations

The Company provides a broad range of alternative dispute resolution ("ADR") services. The Company's results of operations for the period ended March 31, 1991 include the results of operation for AIS, the Company's wholly owned subsidiary. As of September 30, 1991, the Company determined to cease providing services through AIS.

The Company's fee income was $1,429,581 for the three month period ended March 31, 1992. These results reflect a 114% increase over the comparable year earlier period. The increase in the Company's fee income is primarily due to the continuing acceptance of the Company's ADR services, the increased effectiveness of the Company's sales force and an increase in the Company's administrative and hearing fees. The increased acceptance of Judicate's ADR services was offset by the decrease in the services provided by AIS. Management believes that the sales effort directed to plaintiffs' attorneys introduced during the third quarter of 1991 has contributed to an increased number of hearings. In addition, management believes that a number of programs with the Company's insurance carrier clients, have resulted in the increased level of case filings and an increased number of hearings. Management is optimistic that the increased level of case filings and an increased number of hearings will continue during the remainder of 1992.

The Company's loss from continuing operations for the quarter ended March 31, 1992 was $299,036 compared to $45,910 for the quarter ended March 31, 1991.

The following table sets forth operating costs and expenses as a percentage of fee income for the three month period ending March 31, 1992 and 1991, respectively:

	Three Months Ended March 31,	
	1992	1991
Cost of Service	20%	24%
Sales and Marketing	38%	30%
General and Administrative	63%	53%

The Company's cost of service as a percentage of fee income decreased slightly during the three month period ended March 31, 1992, compared with the same period of the preceding year. The decrease is primarily as a result of an increase in the hearing fees for the Company's ADR services and the increased provision of services that generate greater profit margins to the Company (administrative fees from case filings). The increased case filings during the first three months of 1992 has resulted in an increase in the number of hearings during the first quarter of 1992 and are anticipated to result in an increased number of hearings during the remainder of 1992. While hearings entail incurring greater costs of service and, therefore, yeild proportionally lower margins than administrative fees from the case filings, hearings do provide significantly greater fee income to the Company.

Judicate's sales and marketing expenses as a percentage of fee income increased during the three months ended March 31, 1992, as compared to the same period of the preceding year. The increase is primarily as a result of the significant growth of the Company's sales force and marketing efforts which commenced during the last six months of 1991. In July 1991, the Company effected a restructuring of its sales operation. The Company focused on the development and training of a telemarketing sales force of ADR consultants, to support and work in conjunction with the Company's regional sales representatives. During the third quarter of 1991 the Company opened a New York sales office staffed with ADR consultants, and commenced staffing its Philadelphia sales office with ADR consultants in the fourth quarter of 1991. In April 1992, the Company opened a Southern California sales office staffed with ADR consultants. While the Company has had to hire several management level individuals in connection with the growth of the sales efforts and the operational support required thereby, the Company believes that the development and training of the ADR consultants has been more cost effective for the Company than the development of regional representatives because the ADR consultants sales efforts generally have resulted in faster realization of revenues than have resulted exclusively from the sales efforts of the regional representatives. Moreover, the ADR consultant's sales efforts require lower overhead expenses to be incurred by the Company than the regional representatives.

Judicate's general and administrative expense as a percentage of revenue increased during the three months ended March 31, 1992 as compared to the same period of the preceding year. The increase reflects the initial expenses associated with the development of the Company's new computer system, the development of an enhanced operating infrastructure to support the Company's expanded sales efforts and non-cash charges of $48,164 resulting from the issuance of stock to certain consultants to the Company and the issuance of warrants to purchase stock to other consultants to the Company at exercise prices less than the market value of the Company's Common Stock on the date of grant. The amortization of the deferred compensation to the consultants will continue through the third quarter of 1993. The remaining increase in general and administrative expenses is principally attributable to the requisite administrative support for the growth of the Company's commissioned telemarketing sales force, as discussed above.

The Company had non-operating income of $3,933 for the three month period ended March 31, 1992.

Liquidity and Capital Resources

As of March 31, 1992, the Company had $576,593 in cash and short term investments, as compared with $610,254 in cash and short term investments as of December 31, 1991. As of March 31, 1992 the Company had working capital of $452,700, as compared with working capital of $545,011 as of December 31, 1991. The Company's decrease in liquid assets is primarily the result of (i) expenses incurred in the development of the Company's New York sales office and the growth of the Company's Philadelphia sales office; and (ii) an increase in accounts receivable, reflecting the Company's increased level of business. This decrease was partially offset by the Company's realization of $214,515 from the exercise of outstanding warrants at various times during the first quarter of 1992.

The Company's capital resources to fund current operations are limited to cash and short term investments. The Company has continued to incur losses, which have adversely affected the Company's liquidity. However, after taking account of the one time charges associated with the restructuring of the Company's operations, by improving the Company's operating results and changing the Company's commission structure (so that payment to commissioned salespeople is deferred until the Company receives payment), the Company believes the drain on its liquidity will be significantly decreased during the remainder of 1992. Nevertheless, the Company's liquidity continues to be adversely affected by the Company's results of operations.

As of March 31, 1992 the Company had outstanding Series D Warrants entitling the holders to purchase an aggregate of 1,411,000 shares of Common Stock at $.625 per share. The Series D Warrants expired on April 30, 1992. On or before April 30, 1992 all of the Series D Warrants were exercised (See Note 3 to Condensed Consolidated Financial Statements). The Company is considering effecting additional financings to improve its liquidity, although there can be no assurances that such financings will be effected. Management believes that additional funds will provide the Company with enhanced flexibility in addressing the growth of the Company's business. The Company intends to increase fee income principally by increasing the volume of sales of its ADR services. In addition, the Company intends to obtain additional working capital through the generation of increased sales, as described above, and by instituting and adhering to more rigorous collection policies to increase the timely payment for services. However, there can be no assurance that such increased fee income or working capital will be obtained.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Not applicable.

Item 2. CHANGES IN SECURITIES

Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Item 5. OTHER INFORMATION

In April 1992 Michael A. Valenoti resigned as a Director of the Company as a result of time commitments relating to his other business activities.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(b) No reports on Form 8-K were filed during the period covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JUDICATE, INC.

Dated: May 5, 1992

Jay D
Jay D. Seid
President

Dated: May 5, 1992

Milton M. Adler
Treasurer
(Principal Financial and
Accounting Officer)

0-29641
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FORM 10-Q

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[✓] **QUARTERLY REPORT UNDER SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

RECD S.E.C.
MAY 11 1992

For Quarterly Period Ended: February 29, 1992

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ____________________

PROCESSED BY
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MAY 13 1992

Commission File Number: 0-13041

KINLAW ENERGY PARTNERS CORPORATION

(Exact name of registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

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Texas	**75-1939021**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
8800 North Central Expressway, Suite 1001, Dallas, Texas	**75231**
(Address of principal executive offices)	(Zip Code)

(214) 373-6432

(Registrant's telephone number, including area code)

8800 North Central Expressway, Suite 900, Dallas, Texas 75231

(Former name, former address and former fiscal year, if changed since last report)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [✓]   No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

37,735,285 shares of Common Stock, no par value

(The number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date)

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements:

KINLAW ENERGY PARTNERS CORPORATION

Financial Statements

February 29, 1992

KINLAW ENERGY PARTNERS CORPORATION

Balance Sheets

(Unaudited)

ASSETS

	February 29, 1992	August 31, 1991
Current asset - cash	$ 65,087	$ 987
Property and equipment, net of accumulated depreciation	7,490	-
	$ 72,577	$ 987

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	February 29, 1992	August 31, 1991
Current liabilities:		
Accounts payable to affiliate	$ 294,118	$ 249,694
Accrued liabilities	15,323	-
Short-term borrowings	200,000	-
	509,441	249,694
Stockholders' equity (deficit):		
Common stock	37,735	37,735
Capital in excess of par value	543,256	543,256
Deficit	(1,017,855)	(829,698)
Total deficit	(436,864)	(248,707)
	$ 72,577	$ 987

KINLAW ENERGY PARTNERS CORPORATION

Statements of Operations

(Unaudited)

	Three months ended	
	February 29, 1992	February 28, 1991
Oil and gas revenue	$ -	$ -
Operating expenses:		
Depreciation, depletion and amortization	-	-
General and administrative expenses	90,857	3,885
Total operating expenses	90,857	3,885
Loss before Federal income tax	(90,857)	(3,885)
Federal income tax	-	-
Net loss	$ (90,857)	$ (3,885)
Loss per share	$ -	$ -
Weighted average common shares outstanding	37,735,285	37,735,285

KINLAW ENERGY PARTNERS CORPORATION

Statements of Operations

(Unaudited)

	Six months ended February 29, 1992	Six months ended February 28, 1991
Oil and gas revenue	$ -	$ -
Operating expenses:		
Depreciation, depletion and amortization	-	2
General and administrative expenses	188,157	3,885
Total operating expenses	188,157	3,887
Loss before Federal income tax	(188,157)	(3,887)
Federal income tax	-	-
Net loss	$ (188,157)	$ (3,887)
Loss per share	$ -	$ -
Weighted average common shares outstanding	37,735,285	37,735,285

KINLAW ENERGY PARTNERS CORPORATION

Statements of Cash Flow

(Unaudited)

	Six months ended February 29, 1992	Six months ended February 28, 1991
Cash flows from operating activities:		
Net loss	$ (188,157)	$ (3,887)
Noncash revenues and expenses included in net loss:		
Depreciation, depletion, and amortization	-	2
Net increase in accounts payable and accrued liabilities	59,747	3,000
Cash used by operating activities	(128,410)	(885)
Cash flow from investing activities - purchase of property and equipment	(7,490)	-
Cash flow from financing activities - proceeds from note payable	200,000	-
Net increase in cash	64,100	-
Cash at beginning of period	987	2,300
Cash at end of period	$ 65,087	$ 1,415
Supplemental information:		
Interest paid	$ -	$ -

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations:

The Company's proposed business is to sponsor, as Managing General Partner, limited partnerships to be formed to drill, test, and complete offshore oil and/or gas wells in the Gulf of Mexico off the coast of Louisiana, and operate such wells after production, if any. In furtherance of this business plan, the Company filed in September 1991 a registration statement on Form S-1 pertaining to the organization of up to twenty (20) limited partnerships and the public sale of units to capitalize the partnerships. The offering was subsequently amended to reflect up to ten (10) such partnerships. The registration statement continues to be in the review process with the staff of the Securities and Exchange Commission, and there can be no assurance when or if the registration statement will become effective.

Other than the Company's proposed business as described herein, of which there can be no assurance, there are no known trends or demands, commitments, events or uncertainties that will result or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. To the extent that additional funds are necessary for operational costs, they are anticipated to be made available from an affiliate of a former majority shareholder.

In that connection, the Company has no material commitments for capital expenditures as of the end of its latest fiscal period and there are no known material trends, favorable or unfavorable, in the Company's capital resources.

PART II

No "other" information required.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KINLAW ENERGY PARTNERS CORPORATION

May 2, 1992

Matthew C. Akin, President, Chief
Executive, Financial and Accounting
Officer, Director

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Total No. of
Pages 11

FORM 10-Q

L92-22604

QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended April 30, 1992 Commission file number ~~2-82833~~ 0-12172

Lincoln Logs Ltd.
(Exact name of registrant as specified in its charter)

New York	14-1589242
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Riverside Drive, Chestertown, New York	12817
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (518)-494-4777

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes_____X______ No_____________

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 8, 1992
Common Stock, $ .01 par value	1,320,495

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LINCOLN LOGS LTD. AND SUBSIDIARIES

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LINCOLN LOGS LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF APRIL 30, 1992 AND JANUARY 31, 1992

ASSETS

	April 30, 1992 (Unaudited)	January 31, 1992 (Audited)
CURRENT ASSETS:		
Cash and cash equivalents	$ 266,537	$ 477,825
Trade accounts receivable, net of $13,000 allowance for doubtful accounts	190,497	166,086
Notes receivable	184,994	184,795
Inventories (principally raw materials)	577,984	653,825
Prepaid expenses and other current assets	465,899	387,000
Due from related party	1,290	1,215
Income taxes receivable and prepaid	79,750	78,000
TOTAL CURRENT ASSETS	1,766,951	1,948,746
PROPERTY, PLANT AND EQUIPMENT:		
Land	692,738	692,738
Buildings and improvements	2,112,859	2,112,859
Machinery and equipment	607,459	602,737
Furniture and fixtures	1,189,310	1,188,350
Transportation equipment	261,280	266,095
	4,863,646	4,862,779
Less: accumulated depreciation	(2,257,238)	(2,184,079)
TOTAL PROPERTY, PLANT AND EQUIPMENT - net	2,606,408	2,678,700
OTHER ASSETS:		
Due from related party	81,355	81,727
Notes receivable, net of current portion	251,125	253,349
Assets held for resale	75,761	85,860
Deposits and other assets	64,246	55,045
Intangible assets, net of amortization	13,687	18,879
TOTAL OTHER ASSETS	486,174	494,860
TOTAL ASSETS	$4,859,533	$5,122,306

See notes to consolidated financial statements.

LINCOLN LOGS LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF APRIL 30, 1992 AND JANUARY 31, 1992

LIABILITIES AND STOCKHOLDERS' EQUITY

	April 30, 1992 (Unaudited)	January 31, 1992 (Audited)
CURRENT LIABILITIES:		
Current installments of long-term debt	$ 196,268	$ 188,460
Trade accounts payable	478,293	616,661
Customer deposits	1,408,409	1,137,000
Accrued payroll and related taxes and withholdings	119,556	94,543
Accrued expenses	363,907	315,054
Accrued income taxes	--	3,200
TOTAL CURRENT LIABILITIES	2,566,433	2,354,918
LONG-TERM DEBT, net of current installments	426,249	453,990
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; authorized 1,000,000 shares; issued and outstanding -0- shares	--	--
Common stock, $.01 par value; authorized 5,000,000 shares; issued and outstanding 1,449,999 shares	14,500	14,500
Additional paid-in capital	3,894,286	3,894,286
Accumulated deficit	(1,434,930)	(988,383)
	2,473,856	2,920,403
Less: cost of 129,500 shares of common stock in treasury	(607,005)	(607,005)
TOTAL STOCKHOLDERS' EQUITY	1,866,851	2,313,398
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,859,533	$5,122,306

See notes to consolidated financial statements.

LINCOLN LOGS LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED APRIL 30, 1992 AND 1991

(UNAUDITED)

	Three Months Ended April 30,	
	1992	1991
NET SALES	$ 1,013,763	$ 1,032,629
COST OF SALES	596,196	612,288
GROSS PROFIT	417,567	420,341
OPERATING EXPENSES:		
Selling, general and administrative	893,886	982,589
LOSS FROM OPERATIONS	(476,319)	(562,248)
OTHER INCOME (EXPENSE):		
Interest income	17,141	30,434
Interest expense	(17,485)	(15,186)
Other	30,116	(14,038)
Total other income - net	29,772	1,210
LOSS BEFORE INCOME TAXES	(446,547)	(561,038)
INCOME TAXES	--	--
NET LOSS	$(446,547)	$(561,038)
PER SHARE DATA:		
Loss per common and common equivalent share	$ (.34)	$ (.42)
Weighted average number of common and common equivalent shares	1,320,499	1,320,499

See notes to consolidated financial statements.

LINCOLN LOGS LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED APRIL 30, 1992 and 1991
(UNAUDITED)

	Three Months Ended April 30,	
	1992	1991
OPERATING ACTIVITIES:		
Net loss	$(446,547)	$(561,038)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	83,166	92,516
(Gain) on disposal of assets	(3,995)	(3,198)
Changes in operating assets and liabilities:		
Trade accounts receivable	(24,411)	46,850
Inventories	75,841	213,261
Prepaid expenses and other current assets	(78,899)	(42,235)
Trade accounts payable	(138,368)	(35,485)
Customer deposits	271,409	478,712
Accrued expenses and other operating activities	73,866	(123,609)
Accrued income taxes	(4,950)	(78,211)
Net cash (used) by operating activities	(192,888)	(12,437)
INVESTING ACTIVITIES:		
Repayments of notes receivable	2,025	1,547
Maturities of certificates of deposit	--	200,050
Additions to property, plant and equipment	(960)	(78,708)
Additions to notes receivable	--	(1,600)
Decrease in assets held for resale	10,099	--
Proceeds from sale of assets	3,995	139,540
Decrease in due from related parties	297	279
Increase in deposits and other assets	(9,201)	(10,913)
Net cash provided by investing activities	6,255	250,195
FINANCING ACTIVITIES:		
Reductions in long-term debt	(24,655)	(9,843)
Net cash (used) in financing activities	(24,655)	(9,843)
Net increase (decrease) in cash and cash equivalents	(211,288)	227,915
Cash and cash equivalents at beginning of period	477,825	716,375
Cash and cash equivalents at end of period	$ 266,537	$ 944,290

See notes to consolidated financial statements.

LINCOLN LOGS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
APRIL 30, 1992 AND 1991

(1) BASIS OF PRESENTATION

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods.

The results of operations for the three month period ended April 30, 1992 are not indicative of the results to be expected for the full year.

(2) RESTRUCTURE OF CAPITAL STOCK

At the July 22, 1986 Annual Meeting, the stockholders voted to decrease the number of authorized shares from 25,000,000 to 5,000,000 with no change in par value and authorized a 1 for 12.5 reverse stock split.

(3) INCOME TAXES

The Company accrues income tax expense on an interperiod basis as necessary, and accrues income tax benefits only when it is assured beyond a reasonable doubt that such tax benefit will be utilized. No income tax benefit was accrued in the three month periods ended April 30, 1992 and 1991.

(4) SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

During the three months ended April 30, 1992, cash was paid in the amounts of $16,223 for interest and $1,761 for income taxes.

Noncash investing and financing activity:
The Company financed the purchase of $4,722 of manufacturing equipment during the three month period ended April 30, 1992.

During the three month period ended April 30, 1992 the following other transactions occurred:

- The Company sold fully depreciated equipment having an original cost of $4,815.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three months ended April 30, 1992 vs. April 30, 1991:

Net sales for the three months ended April 30, 1992 amounted to $1,013,763 as compared to the same period in 1991 of $1,032,629, a decrease of $18,866, or 2%. During the current year's quarter, shipments of residential home construction kits were lower than the previous year by two units. The average value per unit shipped increased by 10% over the previous year, partially offsetting the decrease in units. The decrease in sales was not caused by any one particular event nor due to any particular reason. Because the Company's first quarter occurs during the winter, it is expected that the number of units shipped will be low. This once again is true for the quarter ended April 30, 1992.

Gross profits amounted to 41% of sales for both of the quarters ended April 30, 1992 and 1991. Although the Company has experienced some increases in its product cost during the current period these were offset by the increase in the value of the units shipped. The costs of certain components contained in the log home building kit have continued to increase during the second quarter of the current fiscal year. The Company has found that it is not possible to raise its catalogue prices sufficiently to offset the full impact of rising costs due to the competitiveness, primarily of selling prices, in the housing market. Hence, the Company may experience some margin erosion during the summer quarters of this fiscal year.

Operating expenses of $893,886, or 88% of sales, have decreased $88,703 from the previous year's amount of $982,589, or 95% of sales. The decrease in expenses equaled 9%. The decrease in operating expenses is the result of the Company's efforts to reduce expenses wherever possible. The majority of expenses incurred represent fixed costs of being in business and a minority represent discretionary spending.

LIQUIDITY AND CAPITAL RESOURCES

As of April 30, 1992 current liabilities exceeded current assets by $799,482 as compared with a positive working capital position of $247,622 at April 30, 1991. For the three months ended April 30, 1992 working capital decreased $393,310 as compared to a decrease of $586,056 in the same period in 1991. As of the Company's fiscal year end at January 31, 1992, current liabilities exceeded current assets by $406,172. The decrease in working capital during the quarters ended both April 30, 1992 and 1991 was principally the result of the consumption of cash and inventory by the Company's operations.

LIQUIDITY AND CAPITAL RESOURCES - Con't.

For the first quarter ended April 30, 1992 the Company was a net consumer of cash by its operations of $192,888 as compared to the same three month period of the previous year when operations was a net consumer of cash of $12,437. Overall, the Company experienced a net decrease in its cash position of $211,288 in the quarter ended April 30, 1992 as compared with a net increase in its cash position of $227,915 in the comparable period of the prior year. The decrease in cash in the first quarter of the current fiscal year relates directly to the Company's first quarter loss and the funding of operations during that period.

As mentioned above and as shown in the financial statements, the Company incurred a net loss during the quarter ended April 30, 1992 of $446,547, and at April 30, 1992 current liabilities exceeded current assets by $799,482. At the conclusion of the most recent fiscal year, January 31, 1992, current liabilities exceeded current assets by $406,172. The Company has searched for short term financing for working capital during the past two years without success.

Management has begun discussions with financial institutions with which it has no prior relationship. Additionally, the Company has begun the process of applying for a term loan under the auspices of the Small Business Administration. Further, the outside directors have expressed their willingness to advance funds to the Company should operating conditions warrant such action. The Company believes that the funds available from operations, combined with the funds expected from at least one of these sources, will be sufficient to support its operations during the current fiscal year. Meanwhile, the Company continues to operate with funds generated from operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults of Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LINCOLN LOGS LTD.

Richard C Farr

Richard C. Farr,
Chariman of the Board, President,
Chief Executive Officer and
Treasurer

Date: June 8, 1992

William J. Thyne

William J. Thyne,
Vice President - Finance and
Principal Financial Officer

Date: June 8, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

LGL-2264

FORM 10-Q

[√] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
10-10-V
MAY 15 1992

Commission File Number 0-8104

NaTec Resources,

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(Exact name of Registrant as specified in its Charter)

L3Q

Utah (State or other jurisdiction of incorporation or organization)	**36-6059098** (I.R.S. Employer Identification Number)
1177 West Loop South, Houston, Texas (Address of principal executive offices)	**77027** (Zip code)

Registrant's telephone number, including area code (713) 552-2552

Indicate by check mark whether the Registrant (l) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes_√_ No__

The Registrant had 25,458,787 shares of common stock, no par value, outstanding as of May 11, 1992.

NATEC RESOURCES, INC. AND SUBSIDIARIES

FORM 10-Q

March 31, 1992

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PART I. FINANCIAL INFORMATION

Item 1. *Consolidated Financial Statements*

NaTec Resources, Inc. and Subsidiaries
Consolidated Balance Sheets

	March 31, 1992 (unaudited)	December 31, 1991
Assets		
Cash and cash equivalents	$1,157,133	$1,087,173
Accounts receivable:		
Customers	748,001	392,319
Other	9,326	91,723
Inventories	268,614	143,011
Prepaid expenses and other	110,899	154,680
Total Current Assets	2,293,973	1,868,906
Property, Plant and Equipment		
Land and buildings	200,860	200,860
Production machinery and equipment	18,273,075	18,272,338
Less: Accumulated depreciation and amortization	(2,874,485)	(2,654,334)
	15,599,450	15,818,864
Investments and Other Assets		
Mineral properties and patents	5,945,412	5,998,139
Other assets and investments	209,657	189,200
	6,155,069	6,187,339
Total Assets	$24,048,492	$23,875,109
Liabilities and Stockholders' Equity		
Accounts payable and accrued expenses	$941,376	$795,933
Amounts billed in excess of revenue recognized	1,138,000	-
Related party payable	2,641,683	2,158,075
Current portion of long-term obligations	926,184	940,144
Total Current Liabilities	5,647,243	3,894,152
Long-term obligations	2,482,841	2,515,635
Preferred stock, $100 stated value, 2,000,000 shares authorized	12,000,000	12,000,000
Stockholders' Equity		
Common stock, no par value, 50,000,000 shares authorized	554,267	554,267
Additional paid-in capital	12,375,309	12,400,308
Retained deficit	(8,876,537)	(7,333,365)
Non-vested incentive stock awards	(134,631)	(155,888)
Total Stockholders' Equity	3,918,408	5,465,322
Total Liabilities and Stockholders' Equity	$24,048,492	$23,875,109

See Notes to Unaudited Consolidated Financial Statements

NaTec Resources, Inc. and Subsidiaries
Consolidated Statements of Operations (unaudited)

	Three Months Ended March 31.	
	1992	1991
Revenues	$547,652	$457,742
Cost of sales	397,757	343,192
Gross profit	149,895	114,550
Excess of production costs over inventoried costs	357,556	-
Operating costs		
General and Administrative	464,151	654,577
Marketing and Selling	125,332	251,954
Research and Development	118,156	174,211
Indirect Technical	183,307	190,176
Total Operating Costs	890,946	1,270,918
Loss from operations	(1,098,607)	(1,156,368)
Other income and expense		
Interest income	11,141	85,821
Interest expense	(98,205)	(29,325)
Loss before income tax	(1,185,671)	(1,099,872)
Income tax benefit (expense)	-	-
Net loss	$(1,185,671)	$(1,099,872)
Preferred stock dividends	(357,500)	(500,000)
Net loss attributable to common shares	$(1,543,171)	$(1,599,872)
Net loss per common share	$(.06)	$(.06)
Average Shares Outstanding	25,458,727	25,157,675

See Notes to Unaudited Consolidated Financial Statements

NaTec Resources, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities		
Net loss	$(1,185,671)	$(1,099,872)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	257,327	193,023
Increase in receivables	(273,285)	(218,169)
Increase in other current assets	(65,471)	(55,557)
Increase (decrease) in accounts payable and accrued liabilities	1,384,551	(1,083,787)
Net cash used in (provided from) operating activities	117,451	(2,264,362)
Investing activities		
Additions to property, plant and equipment	(737)	(3,696,500)
Other investing activities	-	(2,005)
Net cash used in investing activities	(737)	(3,698,505)
Financing activities		
Payment of long-term obligations	(46,754)	(77,651)
Proceeds from financing	-	982,906
Net cash (used in) provided from financing activities	(46,754)	905,255
Increase (decrease) in cash and cash equivalents	69,960	(5,057,612)
Cash and cash equivalents at beginning of year	1,087,173	7,064,784
Cash and cash equivalents at end of period	$1,157,133	$2,007,172

See Notes to Unaudited Consolidated Financial Statements

NaTec Resources, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)

NOTE 1: Basis of Presentation

In the opinion of Management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position of NaTec Resources, Inc. and subsidiaries ("Company") as of March 31, 1992 and the results of operations and changes in cash flows for the three months ended March 31, 1992 and 1991. All adjustments are of a normal recurring nature.

The accounting policies followed by the Company are set forth in Note 1 to the Company's Consolidated Financial Statements in the Company's 1991 Annual Report on Form 10-K ("Annual Report"). These quarterly financial statements should be read in conjunction with the financial statements and notes contained in the Annual Report.

The results of operations for the three month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full fiscal year.

NOTE 2: Accounting for Inventory

Inventories consist of chemicals, both in process and raw materials, which are used in NaTec's chemical business and nahcolite, a naturally occurring form of sodium bicarbonate, which is used in the Company's dry sorbent injection systems. Inventories are summarized as follows:

	March 31, 1992	December 31, 1991
Chemicals	$ 69,021	$ 74,151
Nahcolite/ Sodium Bicarbonate	199,593	68,860
	$268,614	$143,011

The chemical inventory is stated at lower of average cost or market. Nahcolite inventory is valued at the lower of production costs or market. Costs in excess of market value have been expensed as excess production costs over inventoried costs. Production costs includes all identifiable costs of the plant including depreciation and direct general and administrative expenses.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

RESULTS OF OPERATIONS

Revenues for the three months ended March 31, 1992 were $548,000 compared to $458,000 for the same period a year earlier, representing an increase of $90,000, or approximately 20 percent. The increase for the period is primarily due to overall increased activity in both specialty chemicals and nahcolite sales. The gross profit percentage rose slightly, from 25 percent for the first quarter of 1991 to 27 percent for 1992, as the project mix remained about the same for the two periods. In addition, excess production costs over inventoried costs were $358,000 for the three months ended March 31, 1992. No such costs were incurred for the same period in 1991 since the nahcolite facility was not yet in commercial production at that time. The high cost per ton of nahcolite produced to date is a result of the low production levels that are required to supply current projects.

Operating costs for the first quarter of 1992 decreased $380,000, or 30 percent, over the first quarter of 1991. This decrease is directly attributable to the overall cost reduction program which was implemented at the end of 1991.

During the first quarter of 1992, interest income decreased $75,000 as compared to the first quarter of 1991 due to lower average daily balances of funds available for investing. Interest expense for the three months ended March 31, 1992 increased $69,000 as compared to the corresponding period a year earlier as a result of additional borrowings by the Company during the first two quarters of 1991.

Net loss attributable to common shares for the three months ended March 31, 1992 was $1.5 million compared to $1.6 million for the same period a year earlier. In addition to the items noted above, preferred stock dividends were higher for the first quarter of 1991 than for the first quarter of 1992.

Current revenue backlog is $8.1 million. Of that amount, $4.2 million, 52 percent of the backlog, is related to the projected sale of nahcolite to Wisconsin Electric Power Company over a three-year period beginning in 1993. Approximately $1.2 million, 15 percent of the backlog, is related to the sale of specialty chemicals to Chevron USA over a three-year period and $1.1 million, 14 percent of the backlog, is for the design and installation of a dry sorbent injection system in 1992 for a Hoechst Celanese industrial facility. The remaining $1.6 million in backlog is attributable to chemical service contracts, equipment sales and demonstrations related to DSI emissions control technology. Current revenue backlog is based upon total estimated revenues from contracts entered into with clients less that portion which has been recognized as revenue. While backlog is an indication of expected future revenues, it is subject to revision due to cancellations, modifications and changes in the scope of projects.

LIQUIDITY AND CAPITAL RESOURCES

The consolidated balance sheet at March 31, 1992, reflects cash and short-term investments of $1.2 million, which is a net increase of $100,000 for the first quarter. The increase in cash and investments is due to prepayment of $1 million from North American Chemical Company for the future delivery of nahcolite. The remaining obligation for future deliveries of nahcolite is included on the balance sheet in "amounts billed in excess of revenue recognized".

The Company has signed a letter of intent to sell a 50 percent interest in a newly created subsidiary of the Company to North American Chemical Company ("NACC"). The new subsidiary will own NaTec's nahcolite production operations which consist of $19.9 million of assets net of $2.5 million of liabilities.

This joint venture will supply nahcolite to both parties and will not affect the Company's DSI emissions control operations. Under the terms of the agreement, the Company would receive $10 million in cash over the next four years which would be used to fund current operations and capital expenditure requirements. The profits of the new subsidiary will be distributed based on each party's ownership interest, however, 75 percent of the Company's initial profits from the new subsidiary will be distributed to NACC until such amount is equal to $1.25 million. The agreement is also subject to the achievement of certain plant performance levels, the approval of the boards of directors of both companies and lenders of NACC, and the execution of a definitive agreement.

Limited revenues are anticipated for the immediate future as the Company continues to develop its markets. Sales of NaTec's technology and sorbent are expected to increase as utilities and industries are required to implement measures to control the emission of pollutants associated with acid rain formation as legislated by the Clean Air Act of 1990.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

None

Item 2. ***Changes in Securities***

None

Item 3. ***Defaults upon Senior Securities***

None

Item 4. ***Submission of Matters to a Vote of Security Holders***

None

Item 5. ***Other Information***

None

Item 6. ***Exhibits and Reports on Form 8-K***

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, NaTec Resources, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NaTec Resources, Inc.

JT McCormack
John T. McCormack
President
(Chief Operating Officer)

M. Glenn Hobratschk
M. Glenn Hobratschk
Executive Vice President
(Chief Financial Officer)

Date: May 11, 1992

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FORM 10-Q. - QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period ended April 30, 1992.

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ______________ to ______________

NATIONAL HEALTH ENHANCEMENT SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	86-0460312 (I.R.S. Employer Identification Number)
Suite 1750 3200 North Central Avenue Phoenix, Arizona (Address of principal executive offices)	85012 (Zip Code)

Registrant's telephone number, including area code: (602) 230-7575

Securities registered pursuant to Section 13 or 15(d) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK $.001 PAR VALUE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

The number of shares of the Registrant's Common Stock outstanding at June 3, 1992 was 1,639,890 Shares.

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NATIONAL HEALTH ENHANCEMENT SYSTEMS, INC.

INDEX TO FORM 10-Q

PAGE NO.

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PART II. OTHER INFORMATION

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NATIONAL HEALTH ENHANCEMENT SYSTEMS, INC.

BALANCE SHEETS – APRIL 30, AND JANUARY 31, 1992

ASSETS

	April 30, 1992	January 31, 1992
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 635,762	$ 620,233
Accounts receivable, less allowance for doubtful accounts of $190,700 and $178,000 respectively	2,056,071	1,642,262
Prepaid expenses and supplies	135,763	148,088
Total current assets	2,827,636	2,410,583
CAPITALIZED SOFTWARE DEVELOPMENT COSTS, less accumulated amortization of $286,232 and $210,158 respectively	80,180	97,245
PROPERTY AND EQUIPMENT :		
Computer equipment	274,111	229,648
Office furniture and equipment	191,194	191,194
Leasehold improvements	25,525	25,525
Total property and equipment	490,830	446,367
Less – accumulated depreciation and amortization	(345,929)	(332,388)
Net property and equipment	144,901	113,979
	$ 3,052,717	$ 2,621,807

LIABILITIES AND STOCKHOLDERS' EQUITY

	April 30, 1992	January 31, 1992
CURRENT LIABILITIES:		
Current installments of notes payable (Note 2)	$ 282,529	$ 170,527
Accounts payable	628,672	547,970
Accrued liabilities (Note 3)	556,439	513,447
Deferred revenues (Note 4)	718,803	589,962
Total current liabilities	2,186,443	1,821,906
NOTE PAYABLES, excluding current installments (Note 2)	41,522	12,140
DEFERRED REVENUES (Note 4)	46,700	46,700
COMMITMENTS	–	–
STOCKHOLDERS' EQUITY		
Preferred stock, $1 par value, 1,000,000 shares authorized, none issued	–	–
Common stock, $.001 par value, 5,000,000 shares authorized, 1,644,790 shares issued	1,645	1,645
Capital contributed in excess of par value	2,792,749	2,792,749
Accumulated deficit	(2,006,368)	(2,043,359)
Less treasury stock, 4,900 shares at cost	(9,974)	(9,974)
Net stockholders' equity	778,052	741,061
	$ 3,052,717	$ 2,621,807

NATIONAL HEALTH ENHANCEMENT SYSTEMS, INC.

STATEMENTS OF OPERATIONS

	Three Months Ended April 30,	
	1992	1991
REVENUES:		
License fees	$ 1,018,397	$ 810,100
Support fees and material sales	557,679	384,827
Other	27,211	53,910
Total revenues	1,603,287	1,248,837
OPERATING EXPENSES:		
Cost of initial license materials	194,667	96,877
Cost of materials sold	179,828	104,698
Selling, product support and development	915,683	745,963
General and administrative	226,679	200,957
Depreciation and amortization	32,738	40,677
Provision for doubtful accounts	16,700	41,744
Total operating expenses	1,566,295	1,230,914
Income before income taxes and extraordinary items	36,992	17,923
Income taxes	15,907	7,707
Income before extraordinary item	21,085	10,216
Extraordinary item -- utilization of net operating loss carry forward	15,907	7,707
NET INCOME	$ 36,992	$ 17,923
Net income per common share:		
Income before extraordinary item	$0.01	$0.01
Income from extraordinary item	$0.01	$0.00
TOTAL NET INCOME PER COMMON SHARE	$0.02	$0.01
WEIGHTED AVERAGE SHARES OUTSTANDING	1,709,545	1,639,815

See accompanying notes to the financial statements.

NATIONAL HEALTH ENHANCEMENT SYSTEMS, INC.

STATEMENTS OF CASH FLOW

	Three Months Ended April 30,	
	1992	1991
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income	$ 36,992	$ 17,923
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,738	40,877
Provision for doubtful accounts	16,700	41,744
(Increase) decrease in accounts receivable	(430,509)	(464,173)
(Increase) decrease in prepaid expenses and supplies	12,305	(34,840)
Increase (decrease) in accounts payable	80,702	200,242
Increase (decrease) in accrued liabilities	42,992	76,047
Increase (decrease) in deferred revenues	128,841	11,152
Net cash used by operating activities	(79,239)	(111,028)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,464)	(6,601)
Increase in capitalized software development costs	(1,685)	(13,380)
Net cash used in investing activities	(6,149)	(19,981)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	105,000	(40,354)
Principal payments on capital lease obligation	(4,063)	(4,135)
Net cash used in financing activities	100,937	(44,989)
NET DECREASE IN CASH AND CASH EQUIVALENTS	15,549	(175,998)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	620,233	579,078
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 635,782	$ 403,080

Supplemental disclosure of noncash investing and financing activities:

In April 1992 the Company leased certain computer equipment for approximately $40,000

NATIONAL HEALTH ENHANCEMENT SYSTEMS, INC.
Notes to the Financial Statements

Note 1

The financial statements of National Health Enhancement Systems, Inc. (the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly its financial position, the results of its operations, and the statement of cash flows for the periods presented.

Certain financial statement items from prior periods have been reclassified to be consistent with current period financial statement presentation. It is suggested that these financial statements be read in conjunction with the financial statements and the related disclosures contained in the Company's Annual Reports on Form 10-K filed for the fiscal year ended January 31, 1992 with the Securities and Exchange Commission.

The results of operations for the period ended April 30, 1992, are not necessarily indicative of the results to be expected for the full fiscal year.

Note 2

(2) NOTES PAYABLE:

	April 1992	January 1992
Bank line of credit, interest payable monthly (see below)	$ 270,000	$165,000
Other, principal and interest payable monthly through 1995 at rates of approximately 13% to 15%	54,051	17,667
	324,051	182,667
Less Current installment	(282,529)	(170,527)
	$ 41,522	$ 7,599

Subsequent to fiscal year-end the bank line of credit in the amount of $165,000 was paid in full. In March 1992, in connection with negotiations with another bank, the Company cancelled the $200,000 bank line of credit which was secured by a certificate of deposit. The Company negotiated an available $300,000 line of credit with another bank. The new line of credit bears interest at prime plus 1% payable monthly, is due on demand, and is secured by a combination of accounts receivable and compensating cash balances. The compensating cash balance is equal to fifty percent (50%) of the amount borrowed by the Company. On April 30, 1992, the compensating cash balance was $135,000.

Future maturities of notes payable are as follows as of April 30, 1992:

1993	$ 282,529
1994	20,761
1995	20,761
	$ 324,051

NATIONAL HEALTH ENHANCEMENT SYSTEMS, INC.
Notes to the Financial Statements

Note 3

Accrued Liabilities consist of the following:

	April 30, 1992	January 31, 1992
Accrued Payroll & Commission	$ 379,003	$ 310,700
Accrued Vacation	95,776	89,777
Other Accrued Liabilities	81,660	104,970
	$ 556,439	$ 513,447

Note 4

Deferred Revenues

Deferred revenues at April 30, 1992 and January 31, 1992 of $718,803 and $589,962 respectively, consist of the prepayment of support fees and materials by licensees. Revenues for the support fees are being recognized over a 12-month period, and revenues for materials are being recognized based upon usage.

ITEM 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

For the quarter ended April 30, 1992, the Company had net income of $36,992, compared to net income of $17,923 for the quarter ended April 30, 1991.

Total revenue increased by approximately 28%, while total operating expenses increased by approximately 27%. The improved operating performance during the quarter ended April 30, 1992, compared to the quarter ended April 30, 1991, can be primarily attributed to increased revenues generated from the Centramax(R), The Professionals(R) and Heart Direct products.

Total revenues increased to $1,603,287 for the quarter ended April 30, 1992 from $1,248,837 for the quarter ended April 30, 1991. The increase of $354,450 was attributed to increases in revenues generated from both license fees and support fees and material sales.

Revenues generated from the Centramax, The Professionals and Heart Direct products during the quarter ended April 30, 1992, accounted for approximately 47% of the Company's total revenue, compared to 33% of the Company's total revenue during the quarter ended April 30, 1991. In addition, revenues from Centramax, The Professionals and Heart Direct products primarily accounted for the increase in revenue during the quarter ended April 30, 1992 compared to revenues generated during the quarter ended April 30, 1991. License fee revenue from the sale of the Patient Acquisition System$^{(TM)}$ (PAS) and Referral One$^{(TM)}$ products for the quarter ended April 30, 1992 accounted for 20% of the Company's total revenue, compared to 23% of the Company's total revenue during the quarter ended April 30, 1991.

License fees represent revenues from the initial sale of the Company's products: Centramax, Centramax Plus, The Professionals, the Patient Acquisition System $^{(TM)}$ ("PAS") (which includes eight health screening and education products) Referral One$^{(TM)}$, Heart Direct$^{(TM)}$ and Personal Fitness Profile$^{(TM)}$. Revenue from license fees increased to $1,018,397 for the quarter ended April 30, 1992, from $810,100 for the quarter ended April 30, 1991. This increase of $208,297 is primarily attributable to an increase in the number of The Professionals licenses granted for the quarter ended April 30, 1992, compared to the quarter ended April 30, 1991. The Company sold five Professionals licenses during the quarter ended April 30, 1992, compared to the sale of three The Professionals licenses during the quarter ended April 30, 1991. License fees from the Centramax product increased to $168,000 for the quarter ended April 30, 1992 from $131,000 for the quarter ended April 30, 1991. License fees from the Centramax Plus product decreased to $65,000 for the quarter ended April 30, 1992 from $100,000 for the quarter ended April 30, 1991. License fees from the sales of the PAS product increased to $274,147 for the quarter ended April 30, 1992 from $248,350 for the quarter ended April 30, 1991. Due to the fact that the PAS is offered on an exclusive basis, the number of available markets for the PAS product has decreased during the past three years. The Company's management believes, however, markets for the PAS product are still available and therefore, the PAS product will continue to generate license fee revenue in the foreseeable future.

Support fees and material sales revenue was $557,679 for the quarter ended April 30, 1992, compared to $384,827 for the quarter ended April 30, 1991. Recurring support fees represent charges to the Company's licensees, as provided for in the Company's license agreements, for ongoing software maintenance and enhancement to the products. The support fees generally begin within six months after a customer executes a license agreement. Revenue generated from support fees increased to $308,695 for the quarter ended April 30, 1992 from $196,271 for the quarter ended April 30, 1991. The increase in revenue from support fees of $112,424 is primarily the result of the increase in the number of customers. The Company believes that as the number of customers it has for all products increases, revenues generated from support fees will continue to increase. Revenues generated from the sale of materials increased to $248,985 for the quarter ended April 30, 1992 from $188,556. Material sales represent the sale of printed questionnaires and reports from the Company's PAS and Heart Direct products. The increase in the sale of materials of $60,429 is due to revenue generated from the Company's Heart Direct product which the Company began marketing in April 1991. The Company earns revenue from the quarterly publication of the Heart Direct product. The Company believes that the revenues associated with the Heart Direct product will continue to increase in the foreseeable future.

Other revenue decreased to $27,211 for the quarter ended April 30, 1992 from $59,910 for the quarter ended April 30, 1991. The decrease of $26,699 is due to a decrease in revenue generated from the data entry of questionnaires from the PAS product. Revenues generated from this service provided by the Company does not constitute a material amount of the Company's revenue.

Total operating expenses increased to $1,566,295 for the quarter ended April 30, 1992 from $1,230,914 for the quarter ended April 30, 1991. The increase of $335,381 is due primarily to the increase in certain variable costs associated with increased licenses granted (such as the cost of initial license fee materials and an increase in certain selling expenses such as commissions). In addition to the increase in the cost of variable expenses associated with the increasing number of licenses granted, certain product support expenses also increased due to an increase in the Company's customer base and related product support obligations.

The cost of initial license materials increased to $194,667 for the quarter ended April 30, 1992 from $96,877 for the quarter ended April 30, 1991. The increase of $97,790 is due to an increase in variable costs associated with the increased sales of The Professionals and Centramax products.

Cost of materials sold-which includes the cost of printed report forms and questionnaires sold to PAS licenses and the costs of materials associated with the Heart Direct product-increased to $179,828 for the quarter ended April 30, 1992 from $104,696 for the quarter ended April 30, 1991. The increase of $75,132 is a result of costs of materials associated with the Heart Direct product.

Selling, product support and development expenses increased to $915,683 for the quarter ended April 30, 1992 from $745,963 for the quarter ended April 30, 1991. The increase of $169,720 is primarily attributable to increased commissions earned on increased revenue from license fees and an increase in the Company's payroll and related payroll expense as a result of an increase in its sales and product support staff. Commissions increased to $164,334 for the quarter ended April 30, 1992 from $137,428 for the quarter ended April 30, 1991. The sales staff and customer and product support staff increased to thirty-nine individuals during the quarter ended April 30, 1992 from thirty-one individuals during the quarter ended April 30, 1991. Primarily as a result of these additions in staff, payroll expenses increased to $479,152 for the quarter ended April 30, 1992 from $349,436 for the quarter ended April 30, 1991. The Company anticipates that during its current fiscal year additional product support staff will be needed to service an expanding customer base. The Company will add staff as it deems necessary. As a result of increased staffing requirements the Company anticipates that its operating expenses will also increase.

General and administrative and general operating expenses increased to $226,679 for the quarter ended April 30, 1992 from $200,957 for the quarter ended April 30, 1991. The increase of $25,722 is attributable to general inflationary increases and to general increases in office space rent, professional liability insurance and other general operating expenses.

Depreciation and amortization expense decreased to $32,738 for the quarter ended April 30, 1992 from $40,677 for the quarter ended April 30, 1991. The decrease of $7,939 is due to a decrease in the software amortization costs associated with certain products that have been fully amortized.

The Company has recently developed a voice response product which is currently in the final testing stage. The Company expects the voice response product to be available for sale later this year. The voice response product will initially be sold and marketed to hospitals. The voice response product permits a hospital to offer general health education information to the general public or other users via use of a touch-tone telephone. The Company believes that this product offers several advantages to hospitals. Currently, the forecasted revenues from the voice response product are not expected to be material.

Liquidity and Capital Resources

As of April 30, 1992, the Company had working capital (current assets minus current liabilities) of $640,101, compared to working capital of $588,677 as of January 31, 1992. The increase in working capital of $51,424 at April 30, 1992 from January 31. 1991 is primarily the result of the Company's improved income from operations. The Company's accounts receivable balance has increased to $2,056,071 at April 30, 1992 from $1,642,262 at January 31, 1992. The increase of $413,809 is due to an increase in receivables, consisting of license fee revenue from sales of the Company's PAS, The Professionals, Centramax, Centramax Plus, Referral One and Heart Direct products. The Company continues to experience that payment of some or all of the initial license fees of the PAS, The Professionals, Centramax, Centramax Plus, Referral One and Heart Direct products is deferred, on a negotiated basis, for a period after the license agreements are executed and the Company expects its accounts receivable balance for the foreseeable future to continue to increase proportionally to the related increases in license fee revenues. The Company believes that payment of the initial license fees of the PAS, The Professionals, Centramax, Centramax Plus, Referral One and Heart Direct products will be received approximately 90 to 120 days after execution of the product license agreements.

As a result of the increase in the initial fee receivables, the Company was able to secure a line of credit of a $300,000 line of credit with a bank. Borrowings against this credit line will be secured by accounts receivable and a compensating bank balance equal to fifty percent (50%) of the amount drawn on the credit line. Interest is due monthly on the unpaid balance at a rate equal to one percentage point above the bank's prime rate. In April 1992, the Company borrowed $270,000 against its credit line which has subsequently been paid.

The Company has experienced improvement in operating results, working capital and financial position; however, the operating results continue to be inconsistent on a month-to-month basis and are vulnerable to turnover or nonperformance of the Company's sales staff, long product sales cycles related in part to pricing of the Company's products and customer budget requirements, and to other factors, such as economic conditions, beyond the control of the Company. There can be no assurance that improved operating performance will continue. The Company, however, will continue to evaluate methods to improve and increase its product distribution channels as well as to enhance or expand its current product line. The Company believes that such actions will help minimize the effect of circumstances which could adversely affect the Company's operating performance.

The Company continues to focus its efforts on improving and increasing its operating income. The Company's management believes that quarterly operating results are dependent on the license fee revenues generated from the sale of PAS, The Professionals, Centramax Plus, Centramax, Referral One, or Heart Direct products. The recurring monthly revenue from support fees and the sale of materials is not currently sufficient to maintain a break-even level of operations. The Company's management believes that revenues from license fees for PAS, The Professionals, Centramax, Centramax Plus, Referral One and Heart Direct products and recurring revenue from support fees and material sales will continue to provide cash for foreseeable working capital needs. Additional support staff requirements and related operating expenses will be dependent on sales levels of the Company's PAS, The Professionals, Centramax, Centramax Plus, Referral One and Heart Direct products. The Company expects that additional staff will be hired during its current fiscal year (ending January 31, 1993).

On March 2, 1992 NASDAQ revised its maintenance standards and on March 6, 1992, the Company received notice from NASDAQ that it did not meet the new $1,000,000 capital and surplus maintenance requirements. The Company has requested a temporary exception to be considered by the NASDAQ Qualifications Committee. The Company has received notice from NASDAQ of a scheduled hearing to be held on either June 22 or June 23. The Company is currently evaluating its options with respect to the NASDAQ compliance issue, including the potential of raising additional capital.

In each of its fiscal years ended January 31, 1992, 1991 and 1990, the Company offered a discount to its PAS users to prepay monthly support fees for a one-year period. In each of these fiscal years, the Company generated a minimum of $200,000 in cash from the prepayment program. In April 1992, the Company elected to continue its prepaid support fee program for another year. Cash from this prepayment program will be recognized as revenue over a 12-month period.

NATIONAL HEALTH ENHANCEMENT SYSTEMS, INC.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

a. Exhibits required by Item 601 of Regulation S-K.
NONE

b. No reports on form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

National Health Enhancement
Systems, Inc.
(Registrant)

Date: June 11, 1992

Gregory J. Petras, President and
Chief Executive Officer

Date: June 11, 1992

Jeffrey D. Zywicki, Vice President
Finance and Treasurer

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

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Washington, D.C. 20549

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Form 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ending March 31, 1992

OR

( ) TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9035

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

Delaware	91-1313292
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

19245 10th Avenue NE, Poulsbo, WA 98370
Telephone: (206)697-6626
(Address of principal executive offices including zip code)
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes X No ______

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PART I

ITEM 1

Financial Statements

CONSOLIDATED BALANCE SHEETS (Unaudited)

Pope Resources
March 31, 1992 and December 31, 1991

(Thousands)	1992	1991
Assets		
Current assets:		
Cash	$ 264	$ 578
Accounts receivable	443	367
Work in progress	9,465	8,081
Current portion of contracts receivable	2,960	1,582
Prepaid expenses and other	237	269
Total current assets	13,369	10,877
Properties and equipment:		
Land	10,569	11,032
Roads and timber (net of accumulated depletion)	9,219	9,529
Buildings and equipment (net of accumulated depreciation)	8,678	8,768
	28,466	29,329
Other assets:		
Contracts receivable	6,046	6,386
Unallocated amenities and project costs	2,116	2,150
Loan fees and other	238	199
	8,400	8,735
	$ 50,235	$ 48,941
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,743	$ 1,723
Current portion long-term debt	2,550	2,447
Deposits	291	58
Total current liabilities	4,584	4,228
Long-term debt	18,271	20,204
Deferred profit on real estate contracts	692	1,208
Partners' capital	26,688	23,301
	$ 50,235	$ 48,911

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Pope Resources
Three Months Ended March 31, 1992 and 1991

(Thousands, except per unit data)	1992	1991
Revenues:		
Tree farming	$ 3,489	$ 2,808
Land marketing	1,839	2,083
Development	1,341	1,890
Income Properties	797	466
	7,466	7,247
Cost of sales	2,854	2,913
Gross profit	4,612	4,334
Deferred profit on current year's contract sales	(58)	(582)
Recognition of prior years' deferred profit	569	25
Selling and administration expenses	(1,592)	(1,488)
Income from operations	3,531	2,289
Other (charges) credits:		
Interest expense	(339)	(601)
Interest income	195	278
	(144)	(323)
Net income	$ 3,387	$ 1,966
Net income allocable to general partners	$ 34	$ 20
Net income allocable to limited partners	3,353	1,946
	$ 3,387	$ 1,966
Net income per partnership unit	$ 2.88	$ 1.67

See notes to consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Pope Resources
Three Months Ended March 31, 1992 and 1991

(Thousands)	1992	1991
Net cash flows from operating activities	$ 1,674	$ 1,088
Cash flows from investing activities:		
Capital expenditures	(159)	(468)
Net cash used in investing activities	(159)	(468)
Cash flows from financing activities:		
Repayment of long-term debt	(1,829)	(1,369)
Net cash used in financing activities	(1,829)	(1,369)
Net decrease in cash and cash equivalents	(314)	(749)
Cash and cash equivalants at beginning of year	578	999
Cash and cash equivalants at end of quarter	$ 264	$ 250

[illegible] financial statements

POPE RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 1992

1. The consolidated financial statements have been prepared by the Partnership without an audit and are subject to year-end adjustments. Certain information and footnote disclosures in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Partnership, the accompanying consolidated balance sheet as of March 31, 1992 and the consolidated statements of income for the three months ended March 31, 1992 and 1991 and cash flows for the three months ended March 31, 1992 and 1991 contain all adjustments necessary to present fairly the financial statements referred to above. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year.

2. The financial statements in the Partnership's 1991 annual report on Form 10-K include a summary of significant accounting policies of the Partnership and should be read in conjunction with this Form 10-Q.

3. Pope Resources is not a taxpaying entity as a limited partnership (instead, income and deductions flow through to the unitholders). Accordingly, no provision for income tax has been made for Pope Resources. Pope Resources owns a 100% interest in Ludlow Water Company (a subchapter C taxable corporation) and the Ludlow Water Company results are consolidated with those of Pope Resources. In view of this consolidation of results for both non-taxpaying and taxpaying entities, the lack of a tax provision is deemed appropriate in light of Ludlow Water Company's net operating loss carry forward ($205,000 at December 31, 1991).

4. Net income (loss) per unit is based on 1,176,694 units for the quarter ending March 31, 1992 and 1991.

5. Supplemental disclosure of cash flow information: Interest paid amounted to approximately $315,000 and $537,000 for the three months ended March 31, 1992 and 1991, respectively. During the three months ended March 31, 1992 and 1991 the Partnership transferred approximately $390,000 and $103,000 of land at cost to in-progress real estate development, respectively.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS - March 31, 1992

POPE RESOURCES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)
March 31, 1992

This discussion should be read in conjunction with the Partnership's consolidated financial statements and notes thereto, included with this report.

Results of Operations

Tree Farming

The large increase in timber revenues is primarily attributable to a land and timber sale to the City of Bremerton (Bremerton). The softwood timber portion of the transaction netted approximately $1.2 million on the sale of 6.4 million board feet.

Excluding Bremerton, during the first quarter of 1992 Pope harvested approximately 5.1 million board feet of softwood timber at an average price of $397 per thousand board feet (MBF). For the corresponding period in 1991, Pope harvested approximately 7.6 million board feet at an average price of $366 per MBF. The increase in the average price per MBF is primarily attributable to higher export and domestic prices and a higher quality of log sold in 1992 as compared to 1991. The export timber market continues to be strong and at very high levels. Pope anticipates continued strength in the export market for the balance of 1992 and also anticipates an increase in domestic market prices. In 1992, the Partnership anticipates a harvest of 20 million board feet which is in balance with its sustainable yield capacity. The aforementioned average price of timber sold reflects various mixes of timber grades and different types of timber sales and is, therefore, not necessarily indicative of the price of timber to be sold in the future.

Land Marketing

The decrease in land marketing revenues is primarily attributable to a lower number of acres sold in 1992 as compared to 1991. This decrease was partly offset by a higher price per acre sold in 1992 and the Bremerton sale, which produced approximately $500,000 of gain on the sale of 360 acres. Excluding Bremerton, in the first three months of 1992, Pope has sold approximately 48 acres at an average price of $27,500 an acre. This compares to sales for the prior year's comparable period of 190 acres at an average price of $10,900 an acre.

Development

Development revenues consist of the sale of single-family housing and finished lots. During the first quarter, Pope's real estate development at Port Ludlow generated revenues of $1,341,000 on 13 lot sales and 3 home sales. This compared to the prior year's first three months sales at Port Ludlow of $1,890,000 on 5 lot sales and 9 home sales. Pope's goal for development is that of being a land developer, not a home builder. Pope intends to continue to keep it's level of home building to a minimum and sell more lots to builders.

Even though the real estate market in Puget Sound has softened in the past year, Pope's residential development and land marketing efforts have continued to be effective. The national attention focused on this area as a place to live has, in particular, created much interest in the Port Ludlow development. For the remainder of 1992 Pope anticipates a strengthening in demand for real estate.

Income Properties

Income properties revenues consist of providing water and sewer services to properties in the Port Ludlow area; a restaurant/lounge and related facilities leased to and operated by Village Resorts, Inc.; a marina, golf course, commercial center and RV park operated by Pope; and the Port Gamble townsite and log dumps, which are leased to Pope & Talbot, Inc. Pope hopes to increase its level of income-producing properties as opportunities arise.

Liquidity and Capital Resources

Funds generated internally through operations and externally through debt financing have been Pope's main source of liquidity. At March 31, 1992, Pope had numerous real estate developments in progress. Pope views its capital resources to be adequate for its real estate development plans, both in the near future and on a long-term basis. At March 31, 1992, Pope had available an unused $6.4 million loan commitment from a bank.

Accounts receivable, work in progress, contracts receivable, prepaid expenses, accounts payable and accrued liabilities, deposits and deferred profit increased in the first three months of 1992. Conversely, unallocated amenities, long-term debt and deferred profit decreased over year-end 1991 amounts.

Cash provided by operating activities generated $1,674,000 in the first three months of 1992, while overall cash and cash equivalents decreased by $314,000. The difference was primarily due to capital expenditures of $159,000 and repayments of long-term debt totaling $1,829,000. The capital expenditures were used for the following improvements: buildings and equipment $127,000, and roads $32,000.

Pope has not declared a cash distribution in 1992. Pope's policy is to make cash distributions only for the purpose of defraying unitholder tax liability incurred as a result of their investment in Pope.

In the fourth quarter of 1991, Pope signed an agreement to spend $3 million to expand the Port Ludlow Golf Course from 18 to 27 holes. Through March 31, 1992, $1,350,000 has been spent. Funds for this project are expected to come from Pope's line of credit and operations.

PART II

ITEM 6

Exhibits and Reports on Form 8-K

Item 6.

(A) Exhibits

None

(B) Reports on Form 8-K

During the quarter covered by the report there were no reports on Form 8-K.

Items 1,2,3,4 and 5 of Part II were not applicable and have been omitted.

POPE RESOURCES

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POPE RESOURCES,
A Delaware Limited Partnership
Registrant

Date: April 24, 1992

By: POPE MGP, Inc.
Managing General Partner

Date: April 24, 1992

By:
George H. Folquet
President and Chief Executive Officer

Date: April 24, 1992

By: Thomas M. Ringo
Thomas M. Ringo
Vice President-Finance
(Principal Financial Officer)

Date: April 24, 1992

By:
Thomas A. Griffin
Treasurer/Controller
(Principal Accounting Officer)

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISION
WASHINGTON, D.C. 205249

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(Mark One)

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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 0-17032

Protein Databases, Inc.
(Exact name of registrant as specified in its charter)

Delaware	13-3186604
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
405 Oakwood Road, Huntington Station, NY	11746
(Address of principal executive offices)	(Zip Code)

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(516) 673-3939
(Registrant's telephone number, including area code)

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____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No ____.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock $.0001 par value	94,134,018

PROTEIN DATABASES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
CURRENT ASSETS:		
Cash	$ 109,661	$ 175,751
Accounts receivable	188,255	180,869
Other current assets	10,000	11,391
Total Current Assets	307,916	368,011
PROPERTY AND EQUIPMENT - NET	136,758	107,190
OTHER ASSETS:		
Deposits	13,000	13,000
TOTAL	$ 457,674	$ 488,201

LIABILITIES AND STOCKHOLDER'S EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
CURRENT LIABILITIES:		
Accounts payable	$ 194,509	$ 187,406
Notes payable to stockholder	-	60,000
Accrued expenses	41,602	39,851
Unearned revenue	795,869	486,862
Due to former PDE preferred stockholders of subsidiary	69,377	85,120
Total Current Liabilities	1,101,357	859,239
NOTES PAYABLE TO FORMER PDE PREFERRED STOCKHOLDERS	-	65,649
STOCKHOLDERS' EQUITY:		
Common stock	9,413	9,413
Additional paid-in capital	8,174,819	8,174,819
Accumulated deficit	(8,827,915)	(8,620,919)
Stockholders Equity	(643,683)	(436,687)
TOTAL	$ 457,674	$ 488,201

PROTEIN DATABASES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended March 31,	
	1992	1991
REVENUE:		
Software systems	$ 364,114	$ 184,942
Royalties and other	38,566	101,540
Total Revenue	402,680	286,482
COST OF SALES	177,224	149,197
GROSS PROFIT	225,456	137,285
EXPENSES:		
General and administrative	131,753	128,900
Marketing and sales	203,231	134,741
Research and development	94,072	113,565
Interest, net	3,396	9,671
Total Expenses	432,452	386,877
Net Loss	$ (206,996)	$ (249,592)
NET LOSS PER COMMON SHARE	$ (.002)	$ (.003)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	94,134,018	94,134,018

PROTEIN DATABASES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended March 31,	
	1992	1991
CASH FLOW FROM OPERATIONS:		
Net Loss	$ (206,996)	$ (249,592)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	15,000	15,000
Changes in operating assets liabilities:		
Accounts receivable	(7,386)	149,922
Other current assets	1,391	14,188
Other assets		15,230
Accounts payable and accrued expenses	8,854	(47,227)
Unearned revenue	309,007	(2,285)
Net cash used in operations	119,870	(104,764)
CASH FLOWS FROM INVESTMENTS IN AND (DISPOSITIONS) OF PROPERTY AND EQUIPMENT - NET	44,568	(24,153)
CASH FLOWS FROM FINANCING:		
Proceeds from stockholder loans	(60,000)	120,000
Decrease in notes payable to former PDE preferred stockholders	(81,392)	(25,132)
Cash provided by financing	(141,392)	94,868
DECREASE IN CASH	(66,090)	(34,049)
CASH, BEGINNING OF PERIOD	175,751	119,747
CASH, END OF PERIOD	$ 109,661	$ 85,698

Interest payments totalled approximately $9,855 and $17,811 for the three months ended March 31, 1992 and 1991, respectively.

(Unaudited)

PROTEIN DATABASES, INC., AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1992

NOTE 1 - GENERAL:

The accompanying unaudited financial statements include all adjustments which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. The statements have been prepared in accordance with the requirements for quarterly reports on Form 10-Q and, therefore, do not include all disclosures or financial details required by generally accepted accounting principles. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

The results of operations for the interim periods are not necessarily indicative of results to be expected for a full year's operations.

PROTEIN DATABASES, INC. AND SUBSIDIARY
Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

From the commencement of the Company's operations in December, 1983 through December 31, 1989, the Company funded the working capital deficit resulting from its start-up operations from the proceeds of private sales of $6,015,000 of equity securities to venture capital investors, revenues from operations and from the $2,301,000 net proceeds of the Company's initial public offering of common stock in July, 1988.

In November, 1991 the Company amended its Distribution Agreement with the exclusive distributor of the Company's products in the Far East pursuant to which such distributor agreed to purchase $1,000,000 of the Company's software products between November, 1991 and April, 1992. During November, 1991 and January, 1992 such distributor purchased $708,000 of the Company's products, which amount is included in "unearned revenue" on the Company's balance sheet at March 31, 1992. Management of the Company believes that the funds it expects to receive from these product sales, together with anticipated cash flow from operations, should be sufficient to enable the Company to meet its current obligations at March 31, 1992 and to provide working capital in 1992.

The Independent Auditors' Reports on the Company's consolidated financial statements for the years ended December 31, 1990 and 1991 contain an explanatory paragraph, indicating that the Company's recurring losses from operations among other factors, raise substantial doubt about the Company's ability to continue as a going concern.

The Company has no material commitments for capital equipment additions at March 31, 1992.

Results of Operations

The Company generates revenues primarily by selling Software Systems. Software Systems revenues include revenues from the sale of the Company's proprietary software, Original Equipment Manufacturers (OEM) equipment, software maintenance, rental of software and training and installation. The Company obtains its principal O.E.M. equipment pursuant to supply agreements with two corporations. If the Company were to be unable to continue to obtain the equipment provided on reasonable terms from its current suppliers, or from alternate sources, the Company could be materially and adversely affected.

PROTEIN DATABASES, INC. AND SUBSIDIARY
Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The Company's total revenues increased during the first quarter of 1992 from the first quarter of 1991 principally due to an increase in the number of software systems sold and the average sale price of such systems in 1992.

Software Systems revenues include revenues from the sale of OEM equipment that cost $117,358 in 1992 and $103,443 in 1991. Royalties and other revenues in the first quarter of 1992 include $27,693 of royalty fees received from Millipore Corporation as compared with $75,000 in the first quarter of 1991.

The Company's marketing expenses increased in the three months ended March 31, 1992 from the comparable period in the prior year principally due to higher advertising and promotional expenses and an increase in the number of people in the department.

The decrease in the Company's research and development expenses in the three months ended March 31, 1992 from the comparable period in the prior year was primarily attributable to charges related to the development of a potentially new component for the Company's Software System in the three months ended March 31, 1991. The Company's principal research and development costs for its current products have been incurred in prior years, but the Company needs continually to maintain and improve its products, as well as to, develop new products, and anticipates spending approximately 20% of its net revenues on research and development efforts in 1992.

Interest expense decreased in the first quarter of 1992 as compared to the first quarter of 1991 due to the decrease of interest expense associated with loans from stockholders, which loans were repaid in November, 1991 and January, 1992 and the lower amount of Notes Payable to Former PDE Preferred Stockholders.

Inflation is not believed to be a material factor in the Company's business.

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K: There were no reports on Form 8-K filed by the Company for the three months ended March 31, 1992:

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Protein Databases, Inc.
(Registrant)

Dated May 8, 1992

Stephen H. Blose
Stephen H. Blose
Director, President and
Chief Executive Officer

Dated May 8, 1992

Alan P. Chodosh
Vice President of Finance
(Principal Financial and
Accounting Office)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended March 28, 1992 Commission File No. 0-11271

SANDWICH CHEF, INC.
(Exact name of registrant as specified in its Charter)

DELAWARE	63-0514240
(State of Incorporation)	(IRS Employer I.D. No.)

3514 Lornaridge Drive
Birmingham, Alabama 35216
(Address of principal executive offices)

(205) 822-3960
(Registrant's telephone number

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Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No___

Indicate the number of shares outstanding of the registrant's class of common stock, as of the latest practicable date.

Class	Outstanding at March 28, 1992
Common Stock, $.05 Par Value	1,647,100

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Page No.

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PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

The financial statements listed below are included on the following pages of this Report on Form 10-Q:

Consolidated Balance Sheets at March 28, 1992 (Unaudited) and at June 29, 1991

Consolidated Statements of Operations (Unaudited) for the three months, and nine months, ended March 28, 1992 and March 30, 1991

Consolidated Statements of Cash Flows (Unaudited) for the nine months ended March 28, 1992 and March 30, 1991

Notes to Consolidated Financial Statements (Unaudited)

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SANDWICH CHEF, INC.

CONSOLIDATED BALANCE SHEETS

	March 28, 1992 (Unaudited)	June 29,1991 (Audited)
ASSETS		
Current:		
Cash and Equivalents	$ 362,464	$ 503,216
Accounts and Notes Receivable	743,399	753,778
Inventories (Note 3)	1,154,231	1,094,600
Prepaid Expenses	75,308	66,481
Total Current Assets	2,335,402	2,418,075
Equipment and Improvements:		
Equipment and Fixtures	12,442,132	11,573,956
Leasehold Improvements	7,884,998	7,346,775
	20,327,130	18,920,731
Less Accumulated Depreciation and Amortization	(9,308,537)	(8,285,119)
Net Equipment & Improvements	11,018,593	10,635,612
Other:		
Long-Term Portion of Notes Receivable	698,000	452,586
Cash Surrender Value of Officers' Life Insurance	388,129	339,613
Deferred Tax Benefit	89,200	-
Total Other Assets	1,175,329	792,199
	$14,529,324	$13,845,886

See accompanying notes to consolidated financial statements (Unaudited).

SANDWICH CHEF, INC.

CONSOLIDATED BALANCE SHEETS

	March 28, 1992 (Unaudited)	June 29, 1991 (Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes Payable to Bank	$ 2,400,000	$ 2,900,000
Accounts Payable	905,358	861,063
Accruals	1,500,860	1,650,460
Total Current Liabilities	4,806,218	5,411,523
Deferred Income Taxes	-	95,800
Total Liabilities	4,806,218	5,507,323
Stockholders' Equity:		
Common Stock	97,272	97,272
Additional Paid In Capital	4,000,367	3,637,000
Retained Earnings	6,952,172	6,372,518
	11,049,811	10,106,790
Less Treasury Stock, at cost	(1,326,705)	(1,768,227)
Total Stockholders' Equity	9,723,106	8,338,563
	$14,529,324	$13,845,886

See accompanying notes to consolidated financial statements (Unaudited).

SANDWICH CHEF, INC.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	3/28/92	3/30/91	3/28/92	3/30/91
Net Sales	$10,900,788	$10,235,537	$31,801,493	$30,300,985
Costs and Expenses:				
Costs of Sales	9,446,914	8,869,243	27,743,529	26,303,974
Administrative and General Expenses	1,079,483	1,030,159	3,110,511	3,153,287
Interest Expense	44,000	72,000	162,000	201,000
Other Expense (Income) Net	50,036	14,338	(44,203)	(57,922)
Total Costs and Expenses	10,620,433	9,985,740	30,971,837	29,600,339
Income Before Taxes on Income	280,355	249,797	829,656	700,646
Taxes on Income	80,000	96,000	250,000	254,000
Net Income	$ 200,355	$ 153,797	$ 579,656	$ 446,646
Earnings Per Share of Common Stock (Note 4)	$ .12	$ .10	$ .36	$ .29

See accompanying notes to consolidated financial statements (Unaudited)

SANDWICH CHEF, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended	
	March 28, 1992	March 30, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 579,656	$ 446,646
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,795,758	1,656,506
(Gain) Loss on sale of property and equipment	85,281	33,405
Decrease (increase) in assets:		
Accounts receivable	171,041	139,755
Inventories	(59,631)	82,374
Prepaid expenses	(8,827)	(76,088)
Increase (decrease) in liabilities:		
Accounts payable	44,295	(251,966)
Accruals	(149,600)	(509,942)
Deferred Tax (Credits)	(185,000)	(120,000)
Net cash provided by operating activities	$ 2,272,973	$ 1,400,690
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchase of property & equipment	(2,962,871)	(3,382,292)
Proceeds from sale of property & equipment	156,851	294,910
Payments received on notes receivables	135,924	126,554
Increase in cash surrender value of life insurance on officer's lives	(48,516)	(30,112)
Net cash used by investing activities	(2,718,612)	(2,990,940)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (payments) under line of credit	(500,000)	1,200,000
Purchase of fractional shares on 3/2 dividend	-	(791)
Purchase of treasury stock	-	(5,411)
Proceeds from secondary stock offering	741,961	-
Exercise of employee stock options	62,926	18,155
Net cash provided by financing activities	304,887	1,211,953
NET DECREASE IN CASH FOR THE PERIOD	(140,752)	(378,297)
CASH, beginning of period	503,216	478,502
CASH, end of period	$ 362,464	$ 100,205
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 159,234	$ 227,208
Income taxes	$ 480,136	$ 417,083

Non-cash investing and financing activities:

Notes receivable in the amount of $542,000 and $190,000 were received in the sale of property and equipment for the periods ended March 28, 1992 and March 30, 1991, respectively.

See accompanying notes to consolidated financial statements (Unaudited).

SANDWICH CHEF, INC.,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 28, 1992 and the results of operations for the three and nine month periods ended March 28, 1992 and March 30, 1991 and cash flows for the nine month period ended March 28, 1992 and March 30, 1991.

2. The results of operations for the three and nine month periods ended March 28, 1992 and March 30, 1991 are not necessarily indicative of the results to be expected for the full year.

3. Inventories are valued at the lower of cost (first-in, first-out) or market.

4. Earnings per common share and common share equivalent have been computed based upon the weighted average number of shares outstanding during the respective periods. Equivalent shares are those issuable upon assumed exercise of stock options granted, net of shares which could have been purchased from the proceeds based on the average market price. The computation of earnings per common share assuming full dilution results in less than 3% dilution during the period.

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial condition and earnings during the period included in the accompanying consolidated balance sheets and statements of operations.

Sales

Net sales increased during the quarter ended March 28, 1992 by 6.5% over the corresponding three months last year. Net sales increased during the nine month period ended March 28, 1992 by 4.9% over the corresponding nine months last year. During the nine months ended March 28, 1992, seventeen low volume stores were closed, while eleven high volume units were opened. As in the past, this process of refining the Company's production units, the individual stores , to achieve higher returns continues to be an essential ingredient of sales increases. "Same store" sales, which the Company considers an important measurement of performance because it evaluates this process, decreased during the three months ended March 28, 1992 by 1.5% over the comparable three months of fiscal 1991. Same store sales for the nine month period ended March 28, 1992 decreased by 2.4% over the comparable nine months of fiscal 1991.

The Company's business, particularly the sales component, is dependent on general economic conditions. Economic uncertainties as well as actual downturns, locally and nationally, have in the past adversely affected sales and/or profitability, and should be expected to have similar effects in the future. The Company has therefore attempted to position itself so it can react to economic downturns promptly, primarily by keeping plans for new store openings on a short time table and thus enabling greater control over capital expenditures.

Costs of Sales

Cost of sales as a percentage of net sales increased during the three months ended March 28, 1992 from 86.6% to 86.7%. Cost of sales as a percentage of net sales increased during the nine month period ended March 28, 1992 from 86.8% to 87.2%. Management works continually to achieve maximum efficiencies in this area.

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Costs of Sales (continued)

Cost of sales consists of the following significant components:

	THREE MONTHS ENDED			
	March 28, 1992	% of Sales	March 30, 1991	% of Sales
Food/paper	$3,715,225	34.1%	$3,570,989	34.8%
Labor	2,243,628	20.6	2,012,958	19.7
Store Expenses	3,115,031	28.6	2,911,714	28.4
Commissary Expenses	373,030	3.4	373,582	3.6
	$9,446,914	86.7	$8,869,243	86.6

	NINE MONTHS ENDED			
	March 28, 1992	% of Sales	March 30, 1991	% of Sales
Food/paper	$10,880,628	34.2%	$10,659,676	35.2%
Labor	6,635,472	20.9	6,109,771	20.2
Store Expenses	9,100,555	28.6	8,396,766	27.7
Commissary Expenses	1,126,874	3.5	1,137,761	3.7
	$27,743,529	87.2	$26,303,974	86.8%

Management does not believe changes during the quarter or nine month period in any particular category of these costs to be material. The overall net increase is not attributable to one or a few significant changes but, rather, to relatively small incremental increases and decreases in many different elements of cost.

Administrative and General Expenses

Administrative and general expenses increased to $1,079,483, an increase of $49,324 or 4.8% above the corresponding three months last year primarily due to increases in legal and professional fees and expenses related to employee travel. These costs for the nine month period decreased to $3,110,511, a decrease of $42,776 or 1.4% below the same period last year. These decreases are due primarily to reclassification of store employee bonuses to cost of sales.

Interest expense decreased $28,000 below the corresponding three months last year reflecting decreased short-term borrowings. For the nine month period, interest expense decreased $39,000 below the corresponding nine months last year. Borrowings averaged approximately $2.4 million for the nine months ended March 28, 1992, versus approximately $3.1 million for the corresponding nine months of the prior year. Substantially all such borrowings are used to finance a portion of the noncurrent capital expenditures associated with opening new units.

Liquidity and Capital Resources

The Company's ability to obtain the cash required for the conduct of its business depends upon cash flow from operations and, to a lesser extent, bank borrowings. In general, cash flow from operations and periodic bank borrowings have been sufficient to finance the expansion of the Company's business. The Company does not have significant receivables or inventory and it receives trade credit in purchasing food and supplies. Since funds are available from cash sales, but are not required immediately to pay for food and supplies or to finance receivables or inventory, such funds may be used for non-current capital expenditures.

The Company's principal capital requirement is for new equipment and leasehold improvements for new and existing restaurants. Capital expenditures for these purposes were $2,399,770, $4,291,522 and $4,202,644 for fiscal years 1989, 1990 and 1991, respectively. It is presently anticipated that the Company's capital expenditures for fiscal 1992 will not be materially different from those in 1991. During the three prior years, cash generated from operations totaled $1,907,588, $2,840,559 and $2,671,837, respectively.

The Company expects its future capital needs will be met primarily by internally generated funds and supplemented, as needed, by additional bank borrowings. Capital expenditures for the nine month period ended March 28, 1992 totalled $2,962,871, compared to $3,382,292 for the corresponding nine months of the prior year. Cash generated from operations for the nine month period ended March 28, 1992 totalled $2,272,973 compared to $1,400,690 for the corresponding nine months of the prior year.

Impact of Inflation

Many of the Company's employees are paid hourly rates related to the federal minimum wage. Accordingly, inflation-related annual increases in the minimum wage have historically increased the Company's labor costs. Construction costs have also increased to developers who lease space to the Company. They, in turn, have and may continue to increase rents for Company restaurants. In addition, most of the leases for Company restaurants contain rental escalation clauses based upon cost increases incurred by lessors. In most cases, the Company has been able to increase prices sufficiently to match increases in its operating costs, but there is no assurance that it will be able to do so in the future.

PART II: OTHER INFORMATION

ITEM 5: OTHER INFORMATION

On December 19, 1991, a registration statement on Form S-3 was filed with the Securities and Exchange Commission, Commission file number 33-44691, relating to 140,000 shares of the Registrant's common stock to be offered on a delayed or continuous basis pursuant to Rule 415. The registration was undertaken pursuant to the direct private placement of the shares, on December 4, 1991, to three institutional funds and two directors of the Company, at a price of $9.125 (9-1/8) per share. Of the shares sold in the private placement, the Company sold 90,000 shares, and two executive officers sold 25,000 shares each. The private placement was sole-managed by Equitable Securities, Inc. The registration statement was declared effective on January 30, 1992.

ITEM 5: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit (11) - Computation of Earnings Per Common Share

(b) Reports on Form 8-K:

There were no reports on Form 8-K filed during the quarter ended March 28, 1992.

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EXHIBIT (11)

SANDWICH CHEF, INC.

COMPUTATION OF EARNINGS PER COMMON SHARE (Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	3/28/92	3/30/91	3/28/92	3/30/91
SHARES:				
Weighted average number of common shares outstanding	1,647,100	1,532,303	1,591,057	1,531,523
Effect of shares issuable under stock option plan as determined by the treasury stock method	36,135	32,225	36,135	32,225
Weighted average number of common shares outstanding as adjusted	1,683,235	1,564,528	1,627,192	1,563,748
PER COMMON SHARE COMPUTATIONS:				
Net Income	$ 200,355	$ 153,797	$ 579,656	$ 446,646
Per Common Share	$ .12	$ .10	$ .36	.29

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: SANDWICH CHEF, INC.

May 5 ,1992

ALAN V. KAUFMAN
President
(Principal Executive Officer)

May 5 ,1992

J. RONALD COOPER
Secretary-Treasurer
(Principal Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Q92-2264

Quarterly Report Under Section 13 of 15(d)
of the Securities and Exchange Act of 1934

For Quarter Ended February 29, 1992

Commission File Number 0-17984

SAN VAL, INC.
Exact Name of Registrant as Specified in its Charter

Colorado **State or Other Jurisdiction of Incorporation or Organization**	77-0197120 **IRS Employer Identification Number**
75-181 Mediterranean Palm Desert, California **Address of Principal Executive Office**	92260 **Zip Code**

PROCESSED BY
14-14=1
MAY 12 1992

(619) 568-5592
Registrant's Telephone Number, Including Area Code

NOT APPLICABLE
Former Name, Former Address and Former Year, if Changes Since Last Report

Microfilmed by
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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period than the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ____

The number of shares outstanding of Registrant's common stock, $0.005 per share value was 7,536,991 at February 29, 1992.

SAN VAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	FEBRUARY 29, 1992	NOVEMBER 30, 1991
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	$ 41,980	$ 91,957
ACCOUNTS RECEIVABLE - LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF $67,500 AT FEBRUARY 29, 1992 AND NOVEMBER 30, 1991	905,341	724,930
INVENTORIES	83,591	168,003
PREPAID AND OTHER	31,179	36,934
TOTAL CURRENT ASSETS	1,062,091	1,021,824
PROPERTY AND EQUIPMENT		
VEHICLES, EQUIPMENT AND IMPROVEMENTS	2,067,004	2,052,205
LESS: ACCUMULATED DEPRECIATION	1,279,975	1,218,261
NET PROPERTY AND EQUIPMENT	787,029	833,944
OTHER ASSETS		
CUSTOMER CONTRACTS & OTHER, NET OF ACCUMULATED AMORTIZATION OF $1,280,540 AT NOVEMBER 30, 1991 AND $1,354,601 AT FEBRUARY 29, 1992	2,253,281	2,317,446
ACCOUNT RECEIVABLE - SHAREHOLDER	140,885	140,885
ACCOUNT RECEIVABLE - SAFE	66,234	0
DEPOSITS	10,898	15,899
TOTAL OTHER ASSETS	2,471,298	2,474,230
	$ 4,320,418	$ 4,329,998

The accompanying notes are an integral part of these financial statements

SAN VAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	FEBRUARY 29, 1992	NOVEMBER 30, 1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
CURRENT PORTION OF NOTES PAYABLE	769,699	878,257
LINE OF CREDIT	95,000	95,000
ACCOUNTS PAYABLE	671,271	709,169
ACCRUED EXPENSES		
WAGES AND PAYROLL TAXES	279,251	238,322
INCOME TAXES	12,778	12,778
OTHER	33,463	20,540
DEFERRED INCOME	75,289	101,597
TOTAL CURRENT LIABILITIES	1,936,751	2,055,663
LONG - TERM LIABILITIES		
NOTES PAYABLE - NET OF CURRENT PORTION	2,209,754	2,202,211
STOCKHOLDERS' EQUITY		
COMMON STOCK - PAR VALUE $.005 PER SHARE, 500,000,000 SHARES AUTHORIZED, 7,536,991 ISSUED AND OUTSTANDING AT FEBRUARY 29, 1992 AND NOVEMBER 30, 1991	44,201	44,201
ADDITIONAL PAID IN CAPITAL	177,654	177,654
RETAINED EARNINGS	(47,942)	(149,731)
TOTAL STOCKHOLDERS' EQUITY	173,913	72,124
	$ 4,320,418	$ 4,329,998

The accompanying notes are an integral part of these financial statements

SAN VAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
FOR THE THREE MONTHS ENDED

	FEBRUARY 29, 1992	FEBRUARY 28, 1991
REVENUES	$ 2,846,141	$ 3,971,739
EXPENSES		
OPERATING	2,273,463	3,356,997
GENERAL AND ADMINISTRATIVE	214,479	255,484
DEPRECIATION	61,715	40,646
AMORTIZATION	74,061	160,503
TOTAL EXPENSES	2,623,718	3,813,630
INCOME (LOSS) FROM OPERATIONS	222,423	158,109
INTEREST EXPENSE (NET)	120,634	95,909
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	101,789	62,200
PROVISION FOR INCOME TAXES	0	24,880
INCOME (LOSS) FROM CONTINUING OPERATIONS	101,789	37,320
DISCONTINUED OPERATIONS		
INCOME FROM OPERATIONS	0	23,820
GAIN ON SALE OF GUARD DIVISION	0	639,351
CONSOLIDATED NET INCOME (LOSS)	$ 101,789	$ 700,491
CONSOLIDATED NET INCOME (LOSS) PER SHARE	$ 0.01	$0.08
CONSOLIDATED NET INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS	$ 0.01	NIL
WEIGHTED AVERAGE SHARES OUTSTANDING	7,536,991	8,379,103
RETAINED EARNINGS (DEFICIT) - BEGINNING	$ (149,731)	$ (439,129)
NET INCOME (LOSS) FOR PERIOD	101,789	700,491
RETAINED EARNINGS (DEFICIT) - ENDING	$ (47,942)	$ 261,362

The accompanying notes are an integral part of these financial statements

SAN VAL, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED

	FEBRUARY 29, 1992	FEBRUARY 28, 1991
NET CASH FLOW FROM OPERATING ACTIVITIES		
CONSOLIDATED NET INCOME (LOSS)	$ 101,789	$ 700,491
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FLOW FROM OPERATIONS		
AMORTIZATION	74,061	160,503
DEPRECIATION	61,715	40,646
ACCOUNTS RECEIVABLE	(180,411)	(186,887)
INVENTORIES	84,412	(32,397)
PREPAID EXPENSES	5,755	9,039
OTHER CURRENT ASSETS	0	111,200
PROPERTY AND EQUIPMENT	0	228,722
ACCUMULATED DEPRECIATION	0	(46,635)
CUSTOMER CONTRACTS	0	243,179
ACCUMULATED AMORTIZATION	0	(205,679)
OTHER INTANGIBLES	11,759	14,004
DEPOSITS	5,000	0
ACCOUNTS PAYABLE	(37,898)	(499,953)
ACCRUED WAGES AND PAYROLL TAXES	40,929	(176,926)
DEFERRED INCOME	(26,308)	13,814
OTHER CURRENT LIABILITIES	12,923	(2,532)
INCOME TAXES PAYABLE	0	107,894
NET CASH FLOW FROM OPERATIONS	153,726	478,483
CASH FLOWS FROM INVESTING ACTIVITIES		
CUSTOMER CONTRACT PURCHASES	0	0
DEPOSITS ON CUSTOMER CONTRACTS	0	0
FIXED ASSET PURCHASES	(7,688)	0
NET CASH USED IN INVESTING ACTIVITIES	(7,688)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
PRINCIPAL PAYMENTS - NOTES	(174,335)	(212,118)
CAPITAL LEASE PRINCIPAL PAYMENTS	(21,680)	(30,781)
LINE OF CREDIT ACTIVITY	0	(95,000)
NEW FINANCING DEPOSITS	0	0
NEW EQUIPMENT LOANS	0	0
NET CASH USED IN FINANCING ACTIVITIES	(196,015)	(337,899)
NET INCREASE IN CASH AND EQUIVALENTS	(49,977)	140,584
CASH AND EQUIVALENTS - BEGINNING	91,957	28,077
CASH AND EQUIVALENTS - ENDING	$ 41,980	$ 168,661

The accompanying notes are an integral part of these financial statements

SAN VAL, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED
(CONTINUED)

	FEBRUARY 29, 1992	FEBRUARY 28, 1991
SUPPLEMENTAL DISCLOSURES OF CASH ACTIVITIES		
CASH PAID DURING PERIOD FOR :		
INTEREST	120,634	101,262
INCOME TAXES	0	24,880
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
ACQUISITION OF CUSTOMER CONTRACTS :		
PURCHASE PRICE	0	0
LESS NOTES PAYABLE	0	0
CASH PAID	0	0
PURCHASE OF EQUIPMENT		
TOTAL EQUIPMENT PURCHASED	7,688	0
LESS NOTE AND LEASES INCURRED	0	0
CASH PAID	7,688	0

The accompanying notes are an integral part of these financial statements

SAN VAL, INC, AND SUBSIDIARIES
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED FEBRUARY 29, 1992

	SHARES	COMMON STOCK	ADDT'L PAID - IN CAPITAL	RETAINED EARNINGS	TOTAL
BALANCE AT NOVEMBER 30, 1990	8,379,103	$ 41,896	$ 177,654	$ (439,129)	$ (219,579)
CANCELLATION OF STOCK	(924,300)	$ (5,218)			$ (5,218)
STOCK ISSUED FOR ACQUISITIONS	60,158	$ 7,423			$ 7,423
STOCK ISSUED DURING DEBT FINANCING	8,300	$ 32			$ 32
STOCK ISSUED TO EMPLOYEES	13,730	$ 68			$ 68
NET INCOME FOR PERIOD ENDED NOVEMBER 30, 1991				$ 289,398	$ 289,398
BALANCE AT NOVEMBER 30, 1991	7,536,991	$ 44,201	$ 177,654	$ (149,731)	$ 72,124
NET INCOME FOR PERIOD ENDED FEBRUARY 29, 1992				$ 101,789	$ 101,789
BALANCE AT FEBRUARY 29, 1992	7,536,991	$ 44,201	$ 177,654	$ (47,942)	$ 173,913

The accompanying notes are an integral part of these financial statements

SAN VAL, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
AT FEBRUARY 29, 1992

NOTE 1 : COMMON STOCK AND WARRANTS OUTSTANDING

THE FOLLOWING SECURITIES ARE OUTSTANDING AT FEBRUARY 29, 1992 :

TITLE OF SECURITY	# OUTSTANDING	EXERCISE PRICE	DESCRIPTION
COMMON STOCK	7,136,991	N/A	RESTRICTED SHARES
COMMON STOCK	400,000	N/A	PUBLIC SHARES
CLASS A WARRANT	400,000	ONE SHARE AT $ 2.00 / SHARE	EXPIRED 4-25-92
CLASS B WARRANT	400,000	ONE SHARE AT $ 3.50 / SHARE	EXPIRED 4-25-92

THE WARRANTS WERE SEPARATELY TRANSFERRABLE AND TRADEABLE FROM THE COMMON STOCK. THE CORPORATION RESERVES THE RIGHT TO REDEEM THE WARRANTS UPON THIRTY DAYS WRITTEN NOTICE AT $0.005 PER WARRANT BEGINNING THREE MONTHS AFTER THE DATE OF THE PROSPECTUS. NO WARRANTS WERE EXERCISED.

NOTE 2 : RELATED PARTY TRANSACTIONS

THE COMPANY IS OBLIGATED TO ROBERT L. SANDIFER, MAJOR STOCKHOLDER IN THE COMPANY, UNDER A LEASE AGREEMENT FOR THE BUILDING THE COMPANY OCCUPIES. THE LEASE EXPIRES IN APRIL, 1992 AND IS RENEWABLE FOR FIVE YEARS. THE MINIMUM PAYMENTS ARE AS FOLLOWS :

THE YEAR ENDING NOVEMBER 30, 1991	$ 99,400
THE YEAR ENDING NOVEMBER 30, 1992	$ 42,000
TOTAL	########

THE COMPANY HAS A LOAN RECEIVABLE FROM ROBERT L. SANDIFER IN THE AMOUNT OF $ 140,885.

NOTE 3 : INCENTIVE STOCK OPTION PLAN

THE CORPORATION HAS RESERVED 200,000 SHARES OF ITS $0.005 VALUE COMMON STOCK FOR ISSUANCE UNDER AN INCENTIVE STOCK OPTION PLAN. AS OF FEBRUARY 29, 1992. NO OPTIONS HAVE BEEN GRANTED UNDER THIS PLAN.

NOTE 4 : LINE OF CREDIT

THE COMPANY'S NOTE PAYABLE UNDER ITS LINE OF CREDIT WAS RENEWED ON MAY 2, 1991 UNTIL MAY 2, 1992 .

SAN VAL, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
AT FEBRUARY 29, 1992

NOTE 5 : DISCONTINUED OPERATIONS - SALE OF SECURITY GUARD DIVISION

On January 15, 1991 the company sold all of its right, title and interest in and certain of its assets, agreements and contract rights related to its security guard division doing business as "San Val Security" and "Control Security Services" .

The total sales price of the security guard division was allocated as follows:

Customer contracts	$ 555,932
Agreements not to compete	300,000
Uniforms	10,000
Vehicles	70,485
Radios	11,330
Furniture and fixtures	28,351
Trade name (goodwill)	209,068
Total	$ 1,185,166

Notes payable on security vehicles sold were paid off with some of the proceeds of the sale. Total notes payable paid off amounted to $69,544.

All accounts receivable and accounts payable at the date of the sale were retained by the company.

Eighty percent of the sales price was paid to the company on January 15, 1991. The balance is due and payable to the company on April 15, 1991.

Any security guard business lost or added by April 15, 1991 will be subtracted (if lost) or added (if added) , at a multiple of 3.75 times monthly gross revenue, to the balance due on April 15, 1991.

The company agree not to solicit or compete in the security guard business in California until January 15, 1996.

The following summarizes the revenues and expenses from the security guard operations for the fiscal years ended November 30, 1990, 1989 and 1988.

	the fiscal years ended November 30,		
	1990	1989	1988
Revenues	$ 3,060,617	$ 3,619,216	$ 4,423,128
Operating expenses	2,645,534	3,256,988	3,902,831
Depreciation	31,167	30,522	24,108
Amortization	66,308	66,308	65,308
Net income	$ 317,608	$ 265,398	$ 430,881

The event was reported on form 8-K to the Securities and Exchange Commission.

NOTE 6 : MANAGEMENTS REPRESENTATION OF INTERIM FINANCIAL INFORMATION

THE INTERIM FINANCIAL STATEMENTS PRESENTED HEREIN CONTAIN ALL OF THE ADJUSTMENTS, WHICH, IN THE OPINION OF MANAGEMENT, ARE NECESSARY TO THEIR FAIR PRESENTATION. THESE ADJUSTMENTS ARE OF A NORMAL AND RECURRING NATURE. THE FINANCIAL DATA FOR THE INTERIM PERIODS MAY NOT NECESSARILY BE INDICATIVE OF THE RESULTS TO BE EXPECTED FOR THE YEAR.

NOTE 7 : NATURE OF BUSINESS

THE COMPANY IS ENGAGED IN THE LANDSCAPE MAINTENANCE AND PROPERTY MANAGEMENT SERVICES IN THE COACHELLA VALLEY OF SOUTHERN CALIFORNIA AND IN THE RESIDENTIAL AND COMMERCIAL ALARM SYSTEMS SALES, SERVICE AND MONITORING SERVICES IN THE GREATER SOUTHERN CALIFORNIA AREA.

NOTE 8 : RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

AS MORE FULLY EXPLAINED IN NOTE 5, THE COMPANY SOLD ITS SECURITY GUARD DIVISION ON JANUARY 15, 1991. BECAUSE OF THE SALE, ALL PRIOR PERIOD FINANCIAL INFORMATION SHOWN FOR COMPARATIVE PURPOSES HAS BEEN RESTATED. ALL INCOME AND EXPENSES FOR THE SECURITY GUARD DIVISION IN PERIODS PRESENTED HAVE BEEN REMOVED FROM FINANCIAL INFORMATION REFLECTING CONTINUING OPERATIONS. THE NET INCOME INCOME FROM THE SECURITY GUARD DIVISION OPERATIONS IS SHOWN AFTER NET INCOME FROM CONTINUING OPERATIONS.

NOTE 9 : CHANGE IN ESTIMATE OF USEFUL LIFE OF ALARM CONTRACTS

THE COMPANY CHANGED THE ESTIMATED USEFUL LIFE OF ITS ALARM MONITORING CONTRACTS FROM 5 YEARS TO TEN YEARS. THIS CHANGE IN ESTIMATE DOES NOT REQUIRE A RESTATEMENT OF PRIOR PERIODS. AMORTIZATION SHOWN IN THE QUARTER ENDED FEBRUARY 28, 1991 WAS BASED ON A FIVE YEAR LIFE. AMORTIZATION OF THESE CONTRACTS DURING THE CURRENT THREE MONTHS IS BASED ON A TEN YEAR ESTIMATED USEFUL LIFE. THIS CHANGE WAS BASED ON THE COMPANY'S EXPERIENCE TO DATE WITH ALARM MONITORING CONTRACTS PURCHASED AND RETAINED.

SanVal, Inc. and Subsidiaries
Management Discussion and Analysis
of
Financial Condition and Results of Operations
For the Three Months Ending February 29, 1992

LIQUIDITY AND CAPITAL RESOURCES

The company's working capital deficit at February 29, 1992 decreased by $159,179 as compared to February 29, 1991. This was due to the profitable operation of the alarm division for the first time since its inception.

Net income plus amortization and depreciation for the three months ended February 29, 1992 was $234,565. The principal portion of debt service for the current three months as $196,015. Primarily because of the increase in accounts receivable, the current three months showed a cash decrease of $49,977.

The Company is currently negotiating a restructuring of its long-term debt with external sources. The intent of this proposed restructuring is to reduce current debt service requirements.

It is anticipated that the Company's primary sources of capital for financing ongoing activities for the near term will be external long-term borrowings and internally generated funds.

Although the Company is unable to predict the unit prices of the services it renders, such prices in the past have shown a growth pattern approximating inflation rates in the Southern California area.

The Company had no material commitments for capital expenditures as of May 6, 1992.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED FEBRUARY 29, 1992 VS. THE THREE MONTHS ENDED FEBRUARY 28, 1991

Total revenues for the three months decreased by $1,125,598 over the same six months last year. The landscape division accounted for nearly all of this decrease.

Income from operations for the current three months was $222,423, an increase of $64,314 over the same six months a year ago.

Operating expenses for the current three months were 79.9% of revenues, an improvement of 4.6% over the same three months last year. Increased operating efficiency in the alarm division was the primary contributor to this improvement.

General and administrative expense for the current three months decreased $41,005 compared to the same three months last year.

Income from continuing operations for the current three months was $101,789, an increase of $64,469 compared to the same six months a year ago.

The landscape, property management and alarm divisions were all profitable during the first three months of the current year.

Consolidated net income for the current three months was $101,789. Consolidated net income of $700,491 for the same three months last year included $663,171 of net income from the operation and sale of the guard division.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

SanVal, Inc. is a California corporation engaged in the security service, property management and landscaping industries principally in California's Coachella Valley which contains, among others, the communities of Palm Desert, Rancho Mirage and Palm Springs. The company also has alarm system sales and service offices in San Diego, California and in Upland, California.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: Not applicable.
(b) Reports on Form 8-K: Not applicable.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SanVal, Inc.

/s/ Robert L. Sandifer
Robert L. Sandifer, President

Date: May 6, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 1992

R92-2264

OR

[] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________________ to ________________

Commission file number 811-6328

SBM Certificate Company
(Exact name of registrant as specified in its charter)

Minnesota	41-1671595
(State or other jurisdiction of incorporation of organization)	(IRS Employer Identification Number)

8400 Normandale Lake Boulevard, Suite 1150, Minneapolis, Minnescta 55437
(Address of principal executive offices)
(Zip Code)

(612) 835-0097
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

Number of shares of Common Stock outstanding at May 1, 1992 250,000

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH A REDUCED DISCLOSURE FORMAT.

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SBM Certificate Company

Index

Page (s)

Part I - Financial Information

Item 1. Financial Statements (Unaudited)

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Item 2. Management's Analysis of Results of Operations 5

Part I. Financial Information
Item I. Financial Statements

SBM Certificate Company
Condensed Balance Sheets

Assets	March 31 1992 (unaudited)	December 31 1991
Qualified Assets :		
Cash	$302,312	$314,479
Certificates of deposit	396,483	5,000
Dividends and Interest Receivable	495,763	484,437
Refundable Income Taxes	254,000	190,000
Investments in unaffiliated issuers :		
Securities:		
Commercial paper	6,621,558	7,095,321
Debt securities	46,529,172	46,734,330
Marketable equity securities	801,780	796,648
First mortgage loans,net of allowance for loan losses of $143,710 and $150,000 respectively	10,972,475	11,061,491
Certificate loans, secured by applicable certificate reserves	406,108	434,602
Real estate limited partnership	525,000	525,000
Contract for deed receivable	72,349	73,586
Cash surrender value of life insurance	257,441	254,606
Land,Building and Improvements,at cost less accumulated depreciation of $740,107 and $725,291 respectively	987,799	1,002,616
Total Qualified assets	68,622,240	68,972,116
Other Assets :		
Deferred acquisition costs	395,370	375,697
Other	96,091	16,117
	$69,113,701	$69,363,930
Liabilities and Stockholder's Equity		
Certificate reserves	$66,883,838	$67,159,074
Accounts Payable and Other Liabilities	139,163	51,720
Deferred income taxes	313,419	313,419
Total Liabilities	67,336,420	67,524,213
Common Stock	250,000	250,000
Additional Paid in Capital	1,990,006	1,990,006
Unrealized Depreciation on Marketable Equity Securities	(336,889)	(342,021)
Deficit	(125,836)	(58,268)
Total Stockholder's Equity	1,777,281	1,839,717
	$69,113,701	$69,363,930

The balance sheet at December 31,1991 has been taken from the audited financial statements at that date, and condensed.

See note to condensed financial statements.

SBM Certificate Company
Statements of Income

	Three Months Ended	
	March 31 1992	March 31 1991
	(unaudited)	(unaudited)
Investment and Service Fee Income :		
Interest income from investments :		
Bonds and notes	$987,861	$1,054,271
First mortgage loans	376,939	293,373
Other - principally on certifcate loans and certificates of deposit	13,689	12,587
Dividends	16,147	15,340
Other service fees	1,028	13,451
Rental income	79,543	0
Total investment and service fee income	1,475,207	1,389,022
Investment expenses	208,276	108,989
Amortization of deferred acquisition costs and renewal commissions	128,625	149,206
Provision for certificate reserves	1,268,874	1,314,412
Investment loss before income tax credit	(130,568)	(183,585)
Income tax credit	(63,000)	(81,000)
Investment loss - net	(67,568)	(102,585)
Realized gains on investments	0	139,355
Income tax on realized gains	0	47,000
Net loss	($67,568)	($10,230)

See note to condensed financial statements.

SBM Certificate Company
Condensed Statements of Cash Flows
(unaudited)

	Three Months Ended	
	March 31 1992	March 31 1991
Net Cash Provided by Operating Activities:	$666,784	$1,396,217
Cash Flows From Investing Activities:		
Proceeds from investments sold and matured	1,964,180	235,320
Cost of investments purchased	(2,158,596)	(17,867,282)
Sales of short-term investments, net	473,763	15,156,309
Loan principal payments	665,957	186,330
Loans funded	(8,187)	(10,792)
Net cash provided (used) by investing activities	937,117	(2,300,115)
Cash Flows From Financing Activities:		
Payments to face amount certificate holders	(9,469,348)	(3,634,124)
Reserve payments from face amount certificate holders	7,853,280	4,422,061
Net cash provided (used) by financing activities	(1,616,068)	787,937
Net decrease in cash and cash equivalents	(12,167)	(115,961)
Cash and cash equivalents at beginning of period	314,479	250,000
Cash and cash equivalents at end of period	$302,312	$134,039

See note to condensed financial statements.

SBM Certificate Company
Note to Condensed Financial Statements

(unaudited)

Basis of Presentation

SBM Certificate Company (the Company), a wholly owned subsidiary of SBM Company (formerly State Bond and Mortgage Company)(SBM), was incorporated in 1990 for the purpose of acquiring the face amount certificate business of SBM. Prior to transfer of the face amount certificate business to the Company, SBM had maintained a distinct face amount certificate business segment. Pursuant to the terms of an agreement of assignment and assumption, effective January 1, 1991, SBM transferred the assets constituting the face amount certificate business segment of SBM to the Company and the Company has assumed all of SBM's liabilities related to the face amount certificate business.

The condensed balance sheet as of March 31, 1992 and the statements of income and cash flows for the three month periods ended March 31, 1992 and 1991 have been prepared by the Company without audit. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial positions, results of operations and cash flows at March 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

Item II. Management's Analysis of Results of Operations
SBM Certificate Company

SBM Certificate Company's results of operations are derived from the margin between earnings on investments and amounts paid or credited to certificate obligations less management and service fees and custodial expenses (primarily personnel and overhead expenses of SBM Company (SBM) allocated to the Company), investment costs, and loan and real estate loss provisions.

Net investment loss for the three months ended March 31, 1992 was <$67,568> compared to <$102,585> for the same period in 1991. The decrease in net investment loss is the result of improved 1992 investment spreads as discussed below. The 1991 results include realized investment gains net of income tax of $92,355 in the first quarter of 1991. The investment loss for each period is due to insufficient spreads between income earned on investment assets and rates paid on certificate liabilities.

To improve its investment spreads and as a result of the decreasing interest rate environment, in November 1991 and January 1992 the Company lowered the interest rates offered on its Series 503 Certificates by 40 and 50 basis points, respectively. Management is closely monitoring these new rates against competitive products, mainly bank certificates of deposit. Further interest rate adjustments on new Certificates will be made as deemed necessary. The Company believes that, given current market conditions, and assuming relatively level rates of interest, the net interest margin should increase as outstanding certificates paying interest at higher rates mature and are renewed at the prevailing lower rate of interest, and as new Certificates are sold at lower rates of interest. The Company continues to review its asset/liability management strategies to maximize the spreads between investment income and interest expense.

It is expected that during the first half of 1992 the Company's margin between income earned on its investment assets and the interest paid on its certificate obligations will continue to be insufficient to cover fully all operating expenses, and that consequently the Company will incur operating losses until the spread between its investments and certificate liabilities is increased.

The Company is the owner of a building which is used by SBM and its affiliates. Prior to 1992, SBM and its affiliates paid or absorbed the expenses associated with the building, including taxes, depreciation, utilities, and maintenance costs in lieu of any rent payments to the Company. In 1991, SBM and its affiliates effectively paid rent to the Company by reducing the management fee payable by the Company to SBM by $108,550. Effective January 1, 1992, SBM and the Company entered into a lease agreement regarding the portion of the building occupied by SBM and its affiliates. The Company receives rental income and pays expenses associated with the building as set forth in the lease agreement.

The Company has no employees itself, but is managed and operated by employees of SBM pursuant to a management agreement with SBM. Most general and administrative expenses represent an allocation of salaries, benefits, and operating costs of SBM to the Company based on the amount of management services provided to the Company. This allocation has decreased in 1992 as a result of SBM's employees spending less time on the administrative aspects of the certificate business.

SBM is a bank holding company, and as such the Federal Reserve has certain regulatory authority over SBM and its subsidiaries. In addition, the Minnesota Department of Commerce has certain regulatory authority over the Company. SBM has been contacted by both the Federal Reserve and the Minnesota Department of Commerce regarding capital adequacy and other matters affecting SBM and, in certain respects, the Company. In accordance with these contacts, the Company's objective is to achieve a 5% capital level. SBM is considering various financing alternatives. There can be no assurance as to the timing or source of funding for such increases in capital.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SBM CERTIFICATE COMPANY

Date 5-5-92

By:

Edward L. Zeman

Its: Vice President and Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(X) Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 22, 1992, or
(   ) Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____________ to ____________.

Commission file number 1-10111

SEA GALLEY STORES, INC.
(Exact name of registrant as specified in its charter)

Delaware	91-0838080
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7116 - 220th Street S.W., Lynnwood, WA 98046
(Address of principal executive offices)

(206) 775-0411
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report.)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

As of March 22, 1992 the issuer had 3,284,786 shares of Common Stock outstanding.

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The Exhibit Index is on page 12 of this report.

1 of 14 pages in this report.

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PART I - FINANCIAL INFORMATION

SEA GALLEY STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 22, 1992	December 29, 1991
ASSETS		
Current assets		
Cash and equivalents	$ 126,000	$ --
Inventories	330,000	348,000
Accounts and notes receivable	216,000	273,000
Prepaid expenses	67,000	70,000
Assets held for resale	405,000	381,000
Total current assets	1,144,000	1,072,000
Property, equipment, and improvements, net of accumulated depreciation and amortization	5,644,000	5,765,000
Accounts and notes receivable	89,000	89,000
Certificate of deposit - restricted long-term	200,000	200,000
Other assets	2,311,000	2,402,000
	$ 9,388,000	$ 9,528,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,435,000	$ 1,515,000
Other current liabilities	11,086,000	10,726,000
Total current liabilities	12,521,000	12,241,000
Long-term indebtedness	5,297,000	5,115,000
Shareholders' deficit		
Common stock	199,000	199,000
Paid-in surplus	15,462,000	15,462,000
Deficit	(18,705,000)	(18,103,000)
	(3,044,000)	(2,442,000)
Less cost of common stock in treasury	(5,386,000)	(5,386,000)
Total shareholders' deficit	(8,430,000)	(7,828,000)
	$ 9,388,000	$ 9,528,000

See notes to condensed consolidated financial statements.

SEA GALLEY STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Twelve Weeks Ended March 22, 1992	Twelve Weeks Ended March 24, 1991
Net restaurant sales	$ 4,716,000	$ 4,988,000
Costs and expenses		
Cost of restaurant sales	3,860,000	4,072,000
Occupancy	686,000	906,000
Advertising and promotion	143,000	125,000
General and administrative	225,000	295,000
Other Expense, net	290,000	358,000
Loss before income taxes and discontinued operations	(488,000)	(768,000)
Provision for income taxes	-	-
Discontinued operation		
Loss from operations of discontinued subsidiary	(114,000)	(90,000)
Net loss	$ (602,000)	$ (858,000)

See notes to condensed consolidated financial statements.

SEA GALLEY STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Weeks Ended March 22, 1992	Twelve Weeks Ended March 24, 1991
Operating Activities		
Net loss	$ (602,000)	$ (858,000)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	231,000	357,000
Loss on disposition of assets	33,000	-
Provision for possible losses on repossession and dispositions	-	20,000
Distribution of stock held in treasury	-	13,000
Provision for severances	-	200,000
Changes in operating assets and liabilities:		
Decrease in inventories	18,000	32,000
Decrease in prepaid expenses	3,000	14,000
Increase in other assets	(1,000)	-
Increase (decrease) in trade accounts payable and accrued expenses	630,000	(174,000)
Decrease in other current liabilities	(40,000)	-
Net cash provided by (used in) operating activities	$ 272,000	$ (396,000)
Investing Activities		
Payments received on accounts and notes receivable	$ 586,000	$ 1,068,000
Acquisition of property, equipment, and improvements	(101,000)	(31,000)
Increase in accounts and notes receivable	(529,000)	(736,000)
Net cash provided by (used in) investing activities	$ (44,000)	$ 301,000
Financing Activities		
Proceeds from long-term borrowings and capital leases	$ 3,000	$ 3,000
Principal payments on long-term borrowings and capital leases	(105,000)	(188,000)
Payment of subordinated debt	-	(26,000)
Net cash used in financing activities	$ (102,000)	$ (211,000)
(Increase) decrease in cash and cash equivalents	$ 126,000	$ (306,000)
Cash and cash equivalents at beginning of year	-	378,000
Cash and cash equivalents at end of period	$ 126,000	$ 72,000

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Certain prior year amounts have been reclassified to conform with current period presentation. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. However, the results of the first quarter are not necessarily indicative of the operating results of the full fiscal year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 29, 1991.

Inventories: Restaurant inventories comprise food, liquor and supplies, and are stated at the lower of cost (first-in, first-out method) or market.

Going Concern: The Company's consolidated financial statements have been presented on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As more fully described under "Management's Discussion and Analysis of Results of Operations and Financial Condition," the liquidity of the Company has been adversely affected during the past several years by significant losses from operations primarily due to guest count declines, severance payments, write-down of assets and uneconomic long-term lease obligations. The Company has reported cumulative losses for the past three fiscal years of nearly $17 million (net loss for the year ended December 29, 1991 was $4.9 million) and, with a loss of $602,000 incurred during the first quarter, reported a shareholders' deficit of $8.4 million and a working capital deficit of $11.4 million at March 22, 1992. Additionally, the Company has defaulted on seven months' of interest payments on the subordinated debentures and is contingently liable under various lease obligations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued existence is dependent upon achieving its 1992 operating plan to sustain increases in guest counts and sales and improve liquidity through debt restructuring.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND THE RESULTS OF OPERATIONS

General

As of March 22, 1992, Sea Galley Stores, Inc. (the "Company") operated 13 full service restaurants located in three northwestern states. The restaurants offer a moderately priced menu specializing in a wide variety of seafood entrees and a limited selection of fresh fish, meat, and poultry items. Substantially all of the restaurants emphasize semi-private seating and use a stylized nautical decor with rough plank walls, timbers, pilings, mock store fronts, and various other marine artifacts, such as rowboats, anchors, netting, life rings, and barrels.

Early in 1991, the NASD Board of Governors removed the Company's stock from the NASDAQ System due to the failure to meet net worth requirements. It is not anticipated that the Company will meet the net worth requirements to be re-listed in the foreseeable future. The stock is now listed on the OTC Bulletin Board.

Significant Litigation

The Company is involved in various legal proceedings, some of which may have a material impact on the future financial condition of the Company (see Part II, Item 1 - Legal Proceedings).

Liquidity and Capital Resources

The Company's cash position improved from no cash balances at December 29, 1991 to $126,000 at March 22, 1992, primarily as a result of deferring payments on trade payable and accrued expenses. The Company continued to incur operating losses during the first quarter of 1992, principally as a result of continuing bond interest costs, accrued but unpaid. The Company is experiencing a liquidity crisis, is currently in default on monthly bond interest payments due since the first of September, 1991 and does not anticipate making future interest payments. Under these circumstances, the trustee for the debenture holders has the right to accelerate the entire outstanding bond principal of $7,475,000. Additionally, the Company is seriously delinquent on certain secured debt and leasehold obligations pertaining to non-operating properties and, accordingly, is party to various associated legal proceedings (see Significant Litigation). These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company remains current with most of its suppliers and obligations pertaining to operating restaurant properties. However, the Company does not anticipate that cash flow will be sufficient to pay past or on-going obligations relating to non-operating properties or the debenture obligations in accordance with the Indenture terms. As a result, the Company is considering various alternatives for restructuring its debt and obligations to enable it to maintain its core business.

Some of the alternatives the Company is considering include: (i) negotiating cash settlements of outstanding debts relating to non-operating properties; (ii) issuing amounts of equity for the cancellation of outstanding debt obligations; (iii) a recapitalization of the Company's subordinated debenture and other debt through a reorganization outside of bankruptcy; and (iv) a reorganization of the Company's debt and equity through a bankruptcy filing. The Company is actively pursuing settlements of on-going obligations as noted in items I and II above. Management is in regular communication with the trustee for the debenture holders who has refrained from accelerating the bond principal amount while management continues with negotiations and reorganization plans associated with alternatives (i) through (iii) above.

The Company continues to work diligently to sustain the increases in guest counts and sales and to improve gross margins. Management is attempting to accomplish this task through a refocused marketing effort and the promotion and fine-tuning of a new menu introduced late in the second quarter of 1991. The menu emphasizes lower priced, lower margin entrees that include the salad bar with each dinner selection. Because the Company's strategy emphasizes the offering of menu items with lower margins, guest counts and sales must increase substantially to provide the Company with profitable operations. Allowing such strategy sufficient time to more favorably impact guest counts and increase sales will require additional sources of working capital to fund operations.

The Company is pursing various avenues of opportunity to improve its liquidity. Some involve the sale and leaseback of the remaining owned restaurant properties while another pertains to the sell-off of a non-operating restaurant property. Management's plan to sell the remaining Ranch & Home site was compromised last year when benzene contamination of ground water was discovered at the site during the course of a routine environmental inspection pursuant to the terms of a pending sale agreement. The sale was never consummated and the land will require several years of remedial contamination clean-up before its eventual sale. Management is pursuing possible joint venture arrangements that will allow for leasehold development of the land and buildings at levels that will provide cash flows adequate to service underlying debt and associated overhead.

Management believes that the execution of the above plans will provide sufficient liquidity for the Company to continue as a going concern, and that the execution and realization of those plans is possible. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

The Company has no material commitments for capital expenditures as of quarter-end and does not anticipate that any will arise throughout the remainder of the year.

Restaurant Operations

The Company operated during the current first quarter with four fewer operating units than were in operation throughout the first quarter of 1991. Accordingly, first quarter 1992 revenues fell to $4.7 million or 5.5% from the $5.0 million sales levels recorded during last year's first quarter. Sales comparisons compiled for all stores open throughout both quarters (same-store comparisons) show that first quarter 1992 sales and guest counts increased 10% and 12%, respectively, when compared with the same values generated during the first quarter of 1991.

The following table sets forth components of cost of sales, gross restaurant profit and other restaurant expenses expressed as a percentage of restaurant sales.

	Twelve Weeks Ended March 22, 1992	Twelve Weeks Ended March 24, 1991
Net restaurant sales	100.0%	100.0%
Cost of sales		
Food and liquor	35.0%	35.1%
Labor	35.6%	35.9%
Other [1]	11.3%	10.6%
	81.9%	81.6%
Gross profit	18.1%	18.4%
Other costs		
Occupancy	14.6%	18.2%
Advertising and promotion	3.0%	2.5%
General and administrative	4.8%	5.9%
Other expenses	6.1%	7.2%
Loss from restaurant operations	(10.4)%	(15.4%)
Number of restaurants in operation	13	17

(1) Consists primarily of supplies, utilities and laundry.

Cost of restaurant sales, as a percent of sales, increased from 81.6% in the first quarter of 1991 to 81.9% for the 1992 first quarter. While modest efficiencies were achieved in the labor area, such gains were more than offset with increases in lounge promotion expenses classified as "other costs of sales."

Occupancy costs dropped substantially during the first quarter of 1992 primarily as a result of the 1991 disposition of restaurants with inordinately high occupancy expenses.

Marketing costs incurred during the 1992 first quarter increased slightly as a result of increased television advertising in smaller markets.

Reduced salary levels coupled with a relocation of the corporate offices to smaller, less expensive quarters resulted in a 24% reduction in general and administrative costs incurred during the first quarter of 1992 as compared with those costs incurred during last year's first quarter.

Other Expense, mostly comprising accrued bond interest expense, includes $21,000 in losses on disposition of company vehicles.

Other Events

The sublessee of an Iowa Sea Galley site defaulted on the sublease in 1990 and vacated the property in 1991. The Company was unable to remain current with the underlying lease obligations accruing at the rate of approximately $7,000 per month through November, 1997 and became subject to several judgments arising from the landlord's suit. Unpaid judgments subject to collection at December 29, 1991 aggregated approximately $55,000. In addition, another suit, which the Company contested, had been filed for approximately $40,000, essentially representing the remainder of the obligations accruing through fiscal 1991 year-end. Through first quarter garnishment proceedings, the litigant subsequently collected on the judgments. Company management has negotiated a settlement of this matter requiring an additional $57,000 to be paid monthly through November 1992. The settlement absolves the Company of all past, current and future obligations arising from the lease agreement.

In July 1989, the Company subleased two Colorado restaurants and a Wyoming restaurant to a former officer of the Company who continued to operate the facilities as Sea Galley restaurants under a Use of Name Agreement. The Company remained the primary obligor with respect to the underlying leases and, as such, continued to be liable in the event of default by the sub-tenant. During 1991, the sub-tenant defaulted on the Denver, Colorado obligations and the landlord sued the Company for performance under the lease agreement. The extent of obligations accruing to the Company at quarter-end amounts to approximately $149,000. On-going expenses accrue at a monthly rate of about $15,000. Management is working with the landlord to re-lease the property and to reach an acceptable settlement that removes the Company from any future obligations under a lease agreement that currently expires December 31, 2004. During the first quarter, the sub-tenant additionally defaulted on the Ft. Collins, Colorado lease and the landlord has served the Company with default notices. On-going expenses accrue at a monthly rate of approximately $9,000. As with the Denver property, Company management is working with the landlord to re-lease the property and to come to terms with an acceptable settlement that removes continuing liabilities under a lease agreement that currently expires January 31, 2004. The sub-tenant remains current under the Wyoming sublease obligations.

In October 1989, the Company sold its remaining five Colorado restaurants, all five of its Oregon restaurants and seven Washington restaurants to Kipper Acquisition Company, a wholly-owned subsidiary of Keg Restaurants USA, Inc. During the first quarter, Kipper abandoned all five of its Colorado properties and one property in Oregon. The Company has continuing leasehold obligations with four of the properties but is indemnified against losses by Kipper's parent company. Officials of Keg Restaurants USA, Inc. have provided Company management with absolute assurances that lease termination agreements will be structured to exclude Sea Galley Stores, Inc. from any past, present or future obligations.

The Company remains as the guarantor on one remaining Flakey Jake's lease. The tenant abandoned the property in December, 1991, leaving the lease in default as of year-end. The landlord has subsequently re-leased the property, subject to providing substantial tenant improvements, and served the Company with notices of defaults accumulating to approximately $120,000 as of quarter-end. Company management is vigorously contesting the default and believes that adequate defenses exist that will result in a reasonable accord.

The Financial Accounting Standards Board has issued Statements of Financial Accounting Standards No. 106 pertaining to post-retirement benefits, and No. 109, pertaining to accounting for income taxes. Companies are required to adopt these new methods of accounting no later than 1993. The Company does not intend to implement the Statements early. However, the adoption of these Statements is not expected to have a material impact on the Company's financial position.

Discontinued Retail Operations

In 1990, the Board of Directors authorized disposition of the American Ranch & home Supply Centers, Inc. subsidiary. Subsequently, two of the three retail outlets were sold. In accordance with its plan to liquidate the discontinued subsidiary, the Company continued in its efforts in 1991 to sell the remaining Ranch & Home store in Mount Vernon, Washington. During the fourth quarter an environmental inspection conducted in conjunction with a pending sale discovered benzene contamination of ground water at the site, thus terminating the sale. Management, anticipating that the property cannot be sold in the near future, is pursuing possible joint venture arrangements that will allow for leasehold development of the land and buildings on a piece-meal basis that will provide sufficient cash flows to service underlying debt and associated overhead.

The subsidiary lost $114,000 during the first quarter as thin margins from the modest sale of liquidation inventory fell far short of covering overhead costs.

Impact of Inflation and Regulation

The significant inflationary factors which have historically affected the Company results of operations include increases in the cost of food, liquor, and labor. Food costs are expected to continue to experience volatility in conjunction with the availability of key seafood and meat items.

Many of the Company's employees are paid hourly rates related to the federal minimum wage. Accordingly, increases in the minimum wage may occur and, consequently, increase the Company's labor costs. In this regard, effective April 1, 1991, Alaska and Idaho legislate increases in their state minimum wage rate of 10% and 12% respectively. Since the Company operates restaurants within these states, and with no "tip credit" provision similar to that allowed by federal minimum wage law, this legislation, combined with a related increase in payroll taxes, has an inflationary effect on labor costs and will have a continuing adverse impact on annual expenses of approximately $28,000 per year.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In September, 1991, the Company was sued by Shifrin & Earle - III for breach of lease in the Colorado District Court for Denver County. The lawsuit arises from breach of a lease for a Sea Galley restaurant facility located in Aurora, Colorado. The Company subleased the property to Savannah's Restaurant of Denver, Inc. as part of a larger transaction in which it transferred three Sea Galley locations to an investor group. Savannah's went out of business in Denver and defaulted under the sublease. The landlord subsequently sued the Company and Savannah's for default under the lease. The complaint seeks damages of approximately $129,000 in past due rent and $19,735 in past due property taxes as of March, 1992; an additional $9,865 in property taxes will be due July 31, 1992. In addition, the plaintiff seeks to recover unpaid rent through the balance of the lease term, which expires on December 31, 2004, and is accruing at the rate of $13,000 per month. Finally, plaintiff seeks property taxes through the year 2004 at the rate of approximately $20,000 per year, as well as late charges and pre- and post-judgment interest. The Company has raised some defenses to the lawsuit which may result in some mitigation of the claimed amount. In addition, the Company has reached an interim settlement with the plaintiff pursuant to which it will pay plaintiff $7,500 per month and work with the plaintiff to lease the premises, and the plaintiff will dismiss the lawsuit without prejudice. The Company has located some potential tenants for the premises, and expects to reach a final settlement upon signing a lease.

In December, 1991, the Company was sued by Westdale Associates for breach of lease in the Iowa District Court for Linn County. This lawsuit alleges breach of the lease for the Sea Galley restaurant in the Westdale Mall in Cedar Rapids, Iowa. The Company subleased that restaurant location to a local operator in 1988. That operator went out of business and defaulted on the lease in 1990. The complaint seeks $39,933 in damages as well as recovery of unpaid rent, taxes, and common area maintenance charges, which accrue at the rate of $6,655 per month and will continue through November, 1997, the end of the lease term. Plaintiff filed a motion for summary judgment, which the Company defeated. The Company has reached a settlement with the plaintiff pursuant to which it will pay the plaintiff $57,151 over a seven month period in exchange for a satisfaction of judgment and a release from the lease.

In January, 1992, the Company was sued by Consumer Guaranty Corporation in the Superior Court of Arizona for Maricopa County. The claim arises out of the Company's default under a loan made by Sun State Savings and Loan Association to the Company for construction of a restaurant property in Mesa, Arizona. Sun State Savings subsequently went into bankruptcy, and the loan was purchased by the plaintiff. The property was subsequently sold through a sheriff's sale, and the subject lawsuit seeks recovery of the difference between the amount past due under the promissory note and the amount credited to the Company as a result of the sheriff's sale. The complaint seeks damages of approximately $200,000 plus interest, costs, and expenses. The Company has reached a settlement agreement pursuant to which it is obligated to pay plaintiff $100,000 in monthly installments of $5,000 commencing in May, 1992. Settlement documents are currently being prepared, and the Company expects that they will be executed in May, 1992.

In February, 1992, the Company was sued by Northridge Center for breach of lease in the Superior Court of California for the County of Los Angeles. The complaint alleges breach of a lease for a Flakey Jake's restaurant property outside of Los Angeles, California. The property was originally leased to Flakey Jake's, Inc., then a subsidiary of the Company, and Flakey Jake's obligations under the lease were fully guaranteed by the Company. Flakey Jake's was subsequently purchased by American Service Management Enterprises, which has defaulted on the lease. Plaintiff, landlord under the lease, is seeking unpaid rent and other amounts due under the lease, which total $68,782 as of December 9, 1991, and continue to accrue at the rate of $16,708 plus taxes and insurance through 2008. The Company has filed several defenses and counterclaims which may mitigate damages, and is also pursuing a cross-claim against American Services Management Enterprises. The Company intends to initiate settlement negotiations with the plaintiff regarding this lawsuit in the near future.

The Company was named as a defendant in litigation in the State of New Jersey in connection with a construction debris dump to which it allegedly contributed a small amount of debris. The dump caught fire, causing damage to a highway. The State of New Jersey cleaned it up, suing the owner and operator. The owner sued all the persons that hauled debris to the dump, including the Company. Total liability associated with the claim is, we understand, approximately $17,000,000. The Company has not engaged an attorney to evaluate or respond to the claim. The ultimate outcome of the litigation cannot be presently determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:
(11) Statement of Computation of Earnings Per Share

(b) Reports on Form 8-K: None

EXHIBITS INDEX

Exhibit	Page
(11) Statement of Computation of Earnings Per Share	14

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEA GALLEY STORES, INC.

May 5, 1992
Date

Keith C. Huetson
By: Keith C. Huetson, Vice President,
Treasurer and Chief Financial Officer

By: Jack E. Burton, Controller

Exhibit 11 - COMPUTATION OF EARNINGS PER SHARE

	12 Weeks Ended March 22, 1992	12 Weeks Ended March 24, 1991
Average shares outstanding	3,284,786	3,143,119
Net effect of dilutive stock options based on the treasury stock method using the greater of average or ending market price**	-	-
	3,284,786	3,143,119
Loss before discontinued operation	$ (488,000)	$ (768,000)
Loss from discontinued operation	(114,000)	(90,000)
Net loss	$ (602,000)	$ (858,000)
Loss per share:		
Loss before discontinued operations	$ (.15)	$ (.24)
Loss from discontinued operations	(.03)	(.03)
Net loss per share	$ (.18)	$ (.27)

**Calculation ignored as the effect on earnings per share would be antidilutive.

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Total sequential page numbers 10
(no exhibits are attached)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

REC'D S.E.C.
MAY 8 1992
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FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

PROCESSED BY
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MAY 12 1992

Commission file number 0-5228

STRATEGIC DISTRIBUTION, INC
(Exact name of registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Delaware
(State or other jurisdiction of incorporation or organization)

22-1849240
(I. R. S. Employer Identification No.)

630

165 Mason Street, Greenwich, CT
(Address of principal executive offices)

06830
(Zip Code)

203-629-8750
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ____

Number of Common Shares outstanding at May 6, 1992: 12,125,119.

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STRATEGIC DISTRIBUTION, INC. AND SUBSIDIARY

Consolidated Balance Sheets

Assets	March 31, 1992 (unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 1,416,547	$ 257,934
Accounts receivable, net	3,264,889	2,633,630
Proceeds due from life insurance policy		1,000,000
Inventories	2,756,521	2,858,321
Prepaid expenses and other current assets	114,174	169,177
Total current assets	7,552,131	6,919,062
Property and equipment, net	689,728	641,400
Excess of cost over fair value of net assets acquired	1,233,559	1,241,921
Other assets	247,676	253,207
Total assets	$ 9,723,094	$ 9,055,590
Liabilities and Stockholders' Equity		
Current liabilities:		
Note payable	$ 2,909,000	$ 3,083,000
Accounts payable and accrued expenses	3,594,968	2,747,555
Current portion of long-term debt	50,869	52,194
Net liabilities of discontinued operations	234,896	264,896
Total current liabilities	6,789,733	6,147,645
Long-term debt	100,736	113,376
Subordinated debt	56,250	56,250
Total liabilities	6,946,719	6,317,271
Stockholders' equity:		
Common stock, par value $.10 per share. Authorized 25,000,000 shares, issued and outstanding 12,125,119 shares.	1,212,512	1,212,512
Additional paid-in capital	9,824,780	9,824,780
Accumulated deficit	(8,210,917)	(8,248,973)
Note receivable from sale of stock	(50,000)	(50,000)
Total stockholders' equity	2,776,375	2,738,319
Total liabilities and stockholders' equity	$ 9,723,094	$ 9,055,590

See accompanying notes to consolidated financial statements.

STRATEGIC DISTRIBUTION, INC. AND SUBSIDIARY

Consolidated Statements of Operations

(unaudited)

	Three Months Ended March 31,	
	1992	1991
Revenues	$ 7,207,622	$ 6,005,175
Cost of sales	5,255,709	4,357,211
Gross profit	1,951,913	1,647,964
Selling, general and administrative expenses	1,901,995	1,565,499
Operating income	49,918	82,465
Interest expense (income):		
Interest expense	54,989	81,425
Interest (income)	(13,127)	(5,133)
Interest expense, net	41,862	76,292
Income from continuing operations before income taxes	8,056	6,173
Income taxes	3,000	2,000
Income from continuing operations	5,056	4,173
Income from discontinued operations (net of taxes of $10,000)	20,000	
Income before extraordinary credit	25,056	4,173
Extraordinary credit - utilization of operating loss carryforward	13,000	2,000
Net income	$ 38,056	$ 6,173
Net income per common share:		
Income from continuing operations	$ -	$ -
Income from discontinued operations	-	
Income before extraordinary credit	-	-
Extraordinary credit	-	-
Net income	$ -	$ -
Average number of shares of common stock outstanding	12,125,119	12,125,119

e accompanying notes to consolidated financial statements.

STRATEGIC DISTRIBUTION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(unaudited)

	Three months ended March 31, 1992	Three months ended March 31, 1991
Cash flows from operating activities:		
Net income	$ 38,056	$ 6,173
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	42,245	30,686
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	(631,259)	(321,639)
Proceeds due from life insurance policy	1,000,000	
Inventories	101,800	65,308
Prepaid expenses and other current assets	55,003	(25,311)
Accounts payable and accrued expenses	847,413	262,972
Other, net	29,790	15,816
Net cash provided by operating activities	1,483,048	34,005
Cash flows used in investing activities:		
Acquisition of business, net of cash acquired		(87,692)
Additions of property and equipment	(106,470)	(65,441)
Net cash used in investing activities	(106,470)	(153,133)
Cash flows from financing activities:		
Proceeds from (repayment of) note payable	(174,000)	139,613
Repayment of long-term obligations	(13,965)	(9,347)
Net cash provided by (used in) financing activities	(187,965)	130,266
Net cash used in discontinued operations	(30,000)	(7,758)
Increase in cash and cash equivalents	1,158,613	3,380
Cash and cash equivalents, at beginning of the period	257,934	421,315
Cash and cash equivalents, at end of the period	$ 1,416,547	$ 424,695
Supplemental cash flow information-		
Interest paid	$ 57,071	$ 153,920

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. The accompanying unaudited consolidated financial statements include the accounts of Strategic Distribution, Inc. and subsidiary (the "Registrant"). These financial statements have been prepared in accordance with the instructions to Form 10-Q. All adjustments which in the opinion of management are necessary for a fair presentation of the results of operations for the three months ended March 31, 1992 and 1991 have been reflected. All such adjustments are of a normal recurring nature. The statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Registrant's annual report on Form 10-K for the year ended December 31, 1991.

2. Inventories (FIFO basis) consist of the following:

	March 31, 1992	December 31, 1991 (audited)
Finished goods	$2,708,572	$2,805,972
Material and supplies	47,949	52,349
	$2,756,521	$2,858,321

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Registrant distributes a variety of safety products to industrial and commercial customers from several locations across a fourteen state area in the western United States.

Results of Operations

The following table of revenues and percentages sets forth selected items of the results of operations.

	Three Months Ended March 31,	
	1992	1991
Revenues	$7,207,622 100.0%	$6,005,175 100.0%
Cost of sales	72.9%	72.6%
Gross profit	27.1%	27.4%
Selling, general and administrative expense	26.4%	26.1%
Operating income	.7%	1.3%
Interest expense (net)	.6%	1.2%
Income from discontinued operations (pretax)	.4%	
Net income	.5%	.1%

Revenues for the three months ended March 31, 1992 increased 20.0% to $7,207,622 from $6,005,175 in 1991. Internal growth, including new branches, accounted for this increase.

Cost of sales as a percentage of revenues increased to 72.9% for the three months ended March 31, 1992 from 72.6% for the comparable period in 1991. The primary reason for the increase was lower margins of the new branches and new business.

Selling, general and administrative expenses as a percentage of revenues increased to 26.4% for the three months ended March 31, 1992 from 26.1% for the comparable period in 1991. The increase resulted primarily from expenses for new sales and marketing programs and branch expansion.

Interest expense (net) decreased by $34,430 to $41,862 for the three months ended March 31, 1992 from $76,292 in 1991. The decrease resulted primarily from a lower effective borrowing rate and an increase in interest income.

Income from discontinued operations (pretax), which was .4% of revenues for the three months ended March 31, 1992, relates to the Registrant's previous decision to dispose of its information services business and represents a current valuation of certain lease obligations.

Net income for the three months ended March 31, 1992 was $38,056 as compared to net income of $6,173 for the comparable period in 1991. This change was primarily the result of the items previously discussed.

Liquidity and Capital Resources

The Registrant's SafetyMaster Corporation subsidiary ("SafetyMaster"), has a bank credit facility of $5,000,000 expiring on June 30, 1992, of which $2,909,000 was borrowed as of March 31, 1992. Under the credit facility, SafetyMaster is restricted from paying any dividends to the Registrant other than quarterly payments equal to SafetyMaster's tax liabilities attributable to SafetyMaster's taxable income calculated on a stand alone basis. SafetyMaster may pay such dividends regardless of whether the Registrant has any tax liability, and it is expected that the Registrant's federal income tax payments will be immaterial for a period of time because of the Registrant's net operating loss carryforward. The credit facility is collateralized by substantially all of SafetyMaster's assets (net book value of approximately $7,961,000). The Registrant believes it will be able to refinance the credit facility with either the current lender or a new lender.

The Registrant believes that cash on hand, cash generated from operations and cash from the credit facility will generate sufficient funds to permit the Registrant to meet its liquidity needs for the foreseeable future.

The Registrant has stated its intention to seek further acquisition opportunities. If the Registrant is able to identify satisfactory acquisitions, the source of funds for such acquisitions will be internally generated cash and cash from future borrowings or sales of equity. There is no guarantee that the Registrant would be successful in raising funds from internally generated cash, through borrowings or through sales of equity.

PART II

Item 6.

EXHIBITS AND REPORTS ON FORM 8-K

(a) None.

(b) None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STRATEGIC DISTRIBUTION, INC.

Date: May 8, 1992

By:________________________
Andrew M. Bursky,
Chairman of the Board

Date: May 8, 1992

By:________________________
Catherine B. James,
Executive Vice President
and Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM-10Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 33-15932

SOUTHMARK SAN JUAN, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	71-2132723
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Isla Verde Avenue Carolina, Puerto Rico	00979
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (214) 386-9777

(Not Applicable)
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 13, 1992
Common Stock, $1.00 par value	1,960 Shares

PROCESSED BY
MAY

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Q-Data Corp. - St. Petersburg, FL

PART I: FINANCIAL INFORMATION

Introductory Notes to Financial Statements

The financial statements as of March 31, 1992, and for the three and nine month periods ended March 31, 1992 and 1991 have been prepared by Southmark San Juan, Inc. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, these financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the Company as of March 31, 1992, the results of its operations for the three and nine month periods ended March 31, 1992 and 1991 and its cash flows for the nine month periods ended March 31, 1992 and 1991.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 1991 Annual Report on Form 10-K.

The Company's principal operating asset is the Sands Hotel and Casino located in San Juan, Puerto Rico (the "Sands San Juan"). Historically, the Sands San Juan's operations have been highly seasonal in nature, with the peak activity occurring from December to April; consequently, the results of operations for the three and nine month periods ending March 31 are not necessarily indicative of the operating results for a full year.

SOUTHMARK SAN JUAN, INC.

BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	June 30, 1991
Current assets:		
Cash and cash equivalents	$ 2,186,000	$ 1,889,000
Accounts receivable, net of allowances of $3,146,000 and $2,888,000, respectively	1,990,000	1,795,000
Inventories	555,000	685,000
Prepaid expenses	279,000	905,000
Total current assets	5,010,000	5,274,000
Property and equipment:		
Land	4,543,000	4,543,000
Buildings	33,208,000	33,212,000
Furniture and equipment	7,190,000	6,716,000
	44,941,000	44,469,000
Less - accumulated depreciation and amortization	10,684,000	8,757,000
Net property and equipment	34,257,000	35,712,000
	$ 39,267,000	$ 40,986,000

The accompanying introductory notes and notes to financial statements are an integral part of these balance sheets.

SOUTHMARK SAN JUAN, INC.

BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' DEFICIT

	March 31, 1992 (Unaudited)	June 30, 1991
Current liabilities:		
Industrial revenue bonds	$ 38,000,000	$ 38,000,000
Note payable	4,980,000	4,980,000
Accounts payable	1,718,000	2,521,000
Accrued liabilities:		
Interest	6,221,000	3,105,000
Payroll and related	862,000	992,000
Other	2,160,000	1,007,000
Due to shareholders	6,955,000	5,762,000
Shareholders' advances	17,413,000	17,413,000
Total current liabilities	78,309,000	73,780,000
Deferred incentive fees payable	1,232,000	1,010,000
Shareholders' deficit:		
Common stock, $1.00 par value per share; 5,000 shares authorized; 1,960 shares issued and outstanding	2,000	2,000
Additional paid-in capital	1,500,000	1,500,000
Accumulated deficit	(41,776,000)	(35,306,000)
Total shareholders' deficit	(40,274,000)	(33,804,000)
	$ 39,267,000	$ 40,986,000

The accompanying introductory notes and notes to financial statements are an integral part of these balance sheets.

SOUTHMARK SAN JUAN, INC.

STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Revenues:		
Casino	$ 2,788,000	$ 2,409,000
Rooms	4,228,000	3,856,000
Food and beverage	1,346,000	1,208,000
Other	335,000	218,000
	8,697,000	7,691,000
Less - promotional allowances	(876,000)	(562,000)
Net revenues	7,821,000	7,129,000
Expenses:		
Casino	1,849,000	1,705,000
Rooms	1,095,000	1,023,000
Food and beverage	1,095,000	1,055,000
Other	209,000	160,000
Depreciation and amortization	657,000	617,000
Selling, general and administrative	2,749,000	2,434,000
Interest	1,515,000	1,626,000
Total expenses	9,169,000	8,620,000
Net loss	$ (1,348,000)	$ (1,491,000)
Net loss per common share	$ (688)	$ (762)

The accompanying introductory notes and notes to financial statements are an integral part of these statements.

SOUTHMARK SAN JUAN, INC.

STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended March 31, 1992	Nine Months Ended March 31, 1991
Revenues:		
Casino	$ 7,392,000	$ 6,896,000
Rooms	9,901,000	10,809,000
Food and beverage	3,704,000	3,898,000
Other	1,035,000	809,000
	22,032,000	22,412,000
Less - promotional allowances	(2,222,000)	(2,089,000)
Net revenues	19,810,000	20,323,000
Expenses:		
Casino	5,022,000	5,222,000
Rooms	3,013,000	3,212,000
Food and beverage	3,031,000	3,398,000
Other	666,000	477,000
Depreciation and amortization	1,973,000	1,953,000
Selling, general and administrative	7,848,000	7,653,000
Interest	4,727,000	5,032,000
Total expenses	26,280,000	25,947,000
Net loss	$ (6,470,000)	$ (6,624,000)
Net loss per common share	$ (3,301)	$ (3,380)

The accompanying introductory notes and notes to financial statements are an integral part of these statements.

SOUTHMARK SAN JUAN, INC.

STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31, 1992	Nine Months Ended March 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,470,000)	$ (6,624,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,973,000	1,953,000
Provision for doubtful accounts	528,000	(444,000)
(Increase) decrease in accounts receivable	(723,000)	171,000
Decrease in insurance claim receivable	-	1,500,000
Decrease in inventories and prepaid expenses	756,000	870,000
Increase in accounts payable, accruals and other	4,751,000	3,331,000
Net cash provided by operating activities	815,000	757,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, net	(518,000)	(65,000)
DECREASE IN CASH AND CASH EQUIVALENTS	(297,000)	692,000
CASH AND CASH EQUIVALENTS, beginning of period	1,889,000	1,625,000
CASH AND CASH EQUIVALENTS, end of period	$ 2,186,000	$ 2,317,000

The accompanying introductory notes and notes to financial statements are an integral part of these statements.

SOUTHMARK SAN JUAN, INC.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(1) Organization and Basis of Presentation

Southmark San Juan, Inc. (the "Company"), a Delaware corporation, was incorporated during April 1986 for the purpose of acquiring, renovating and owning the Sands Hotel and Casino in San Juan, Puerto Rico (the Sands San Juan). The Company's outstanding common shares are owned by Southmark Corporation ("Southmark") and SJPR Management, Inc. ("SJPR"), 51% and 49%, respectively. SJPR is a wholly owned subsidiary of Pratt Hotel Corporation ("Pratt"). The operations of the Sands San Juan are managed by SJPR, Inc., also a wholly owned subsidiary of Pratt.

Since inception, the Company has sustained annual cash operating deficits which have been funded by shareholders' advances and other sources. There is no assurance that the shareholders will be able to provide additional financing in the future. In addition, the Company is in default under the terms of loan agreements for both its industrial revenue bonds (Note 2) and notes payable to a Puerto Rico Bank (Note 3). The uncertainty as to the ability of the shareholders to provide additional financing to the Company, the events of default on its debt and the Company's inability to meet its obligations, unless a debt restructuring agreement is reached with its creditors (Notes 2 and 3), create substantial doubt as to the Company's ability to continue its business as a going concern. However, the accompanying financial statements have been prepared assuming that the Company will continue its business as a going concern and, therefore, no adjustments have been made relating to the recoverability and classification of recorded asset amounts or the amounts of liabilities, that might be necessary should the Company be unable to continue as a going concern.

(2) Industrial Revenue Bonds

On October 1, 1987, the Company entered into a loan agreement with the Puerto Rico Industrial, Medical, Higher Education and Environmental Pollution Control Facilities Financing Authority ("AFICA") which resulted in AFICA's issuance of $38,000,000 of Industrial Revenue Bonds, 1987 Series A (the "Bonds") on October 8, 1987. The Bonds are unconditionally guaranteed on a senior basis as to the timely payment of principal and interest by Southmark. The Bonds are additionally collateralized by a first mortgage on the Sands San Juan.

The Bonds were issued in four series, maturing October 1, 1992 through October 1, 2007 and bear interest at rates ranging from 9.5% to 11.75% as follows:

Maturity	Interest Rate	Amount
1992	9.5%	$ 6,000,000
1997	10.75%	13,000,000
2002	11.375%	13,000,000
2007	11.75%	6,000,000
		$ 38,000,000

Interest is payable semiannually on April 1 and October 1 commencing April 1, 1988. No interest was paid during the three or nine month periods ended March 31, 1992. The Company paid no interest during the three month period ended March 31, 1991 and paid interest of $2,075,000 during the nine month period ended March 31, 1991.

The Bonds are subject to mandatory partial redemption commencing on October 1, 1993. The mandatory partial redemption is calculated to retire 20% annually of the respective series of the Bonds beginning in the fifth year before the maturity date of each series, with the exception of the 1992 series which are not subject to such redemption. Maturities of the Bonds during the next five fiscal years consist of the 1992 series of $6,000,000 on October 1, 1992 and the mandatory partial redemption of the 1997 series of $2,600,000 each on October 1, 1993, 1994 and 1995.

The Bonds are redeemable at the Company's option on or after October 1, 1994. The redemption premium is initially at 106% and declines 2% per year to 100% on October 1, 1997.

In July 1989, Southmark filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. This action by Southmark, as guarantor of the Bonds, constituted an event of default under the provisions of the loan agreement. Southmark emerged from Chapter 11 in July, 1990; however, any claims asserted in connection with its guarantee of the Company's Bonds are subject to the provisions governing the contingency claims class of creditors provided for in Southmark's plan of reorganization, as adopted. The amount, if any, that ultimately may be paid by Southmark under the guarantee claim cannot be currently determined.

On March 27, 1991, due to continuing cash operating deficits, the Company notified the Trustee for the Bonds that the Company would be unable to make the April 1, 1991 semi-annual interest payment due in the amount of $2,075,000 and announced that it intended to present a restructuring plan to its bondholders as well as to a Puerto Rico bank (Note 3). Subsequent to the announcement, discussions have been held under a confidentiality agreement with certain bondholders, which would allow the Company to propose a restructuring plan to all bondholders. The Trustee has formally notified the Company that it is in default under the mortgage deed and the loan agreement and has requested payment of the delinquent interest by Southmark as guarantor, but to date has taken no action to accelerate payment of the Bonds or foreclose on the mortgaged property. No semi-annual interest payments were made on October 1, 1991 or April 1, 1992.

Because of these events of default, the Bonds have been included in current liabilities on the accompanying balance sheets, in accordance with generally accepted accounting principles.

On April 3, 1991, the Trustee notified the Company that, because the Trustee bank was also a creditor of the Company (Note 3), it was resigning in accordance with the requirements of the Trust Indenture Act of 1939, as amended, effective upon acceptance of appointment by a successor trustee.

On September 30, 1991, the Company filed a preliminary registration statement with the Securities and Exchange Commission with respect to a proposed Exchange Offer (the "Exchange Offer") which proposed certain new securities to be issued in exchange for 100% of the currently outstanding Bonds. Subsequent operating results of the hotel have continued to be adversely affected by the continuing economic recession and consequently the terms of the proposed exchange offer are no longer viable. Accordingly, the company and its financial advisor are currently developing a new restructuring plan, and, in this connection, holding discussions with certain bondholders under confidentiality agreements. The new restructuring plan, when formulated, will be used as the basis for either a new exchange offer or a plan of reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11").

If the company is not successful in its attempt to develop an acceptable restructuring plan,it may be forced to seek protection under Chapter 11.

(3) Note Payable

The Company established a $5 million line of credit with a Puerto Rico bank for working capital purposes. The line of credit bears interest at the rate of 10.25%.

The line of credit agreement expired on April 17, 1989 and the bank demanded payment by the Company and by Southmark, as guarantor. Based upon certain commitments given to the bank by Southmark, as guarantor of the credit facility, including the assignment by Southmark to the bank of a second lien against the hotel in the amount of $9,480,000, the bank agreed not to enforce its rights and remedies under or with respect to the guarantee until October 17, 1990. Since October 17, 1990, the note has been payable on a demand basis; however, to date, the bank has not made any additional demand upon the Company for payment.

Concurrently with the discontinuance of the interest payment on the Bonds, the Company discontinued making interest payments on this note and announced its intention to present a restructuring plan (Note 2).

SOUTHMARK SAN JUAN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company financed the acquisition of the Sands San Juan, including certain pre-opening costs and initial working capital, through the issuance of $38 million of long-term debt, $5 million of short-term bank debt and shareholders' contributions and advances. Operating deficits for 1988 and 1989 were financed by additional shareholders' advances and in 1990 by shareholders' advances and business interruption insurance proceeds. At March 31, 1992, the Company's current liabilities exceeded its current assets by approximately $73.3 million. This deficit in working capital reflects the current classification of $38 million of industrial revenue bonds as a result of events of default under the related loan agreement. These events of default consist of the Company's inability to make the semi-annual interest payment due April 1, 1991 in the amount of $2,075,000 and the July 1989 filing by Southmark of a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. This action by Southmark, as guarantor of the Bonds, constituted an event of default under the provisions of the loan agreement. Southmark emerged from Chapter 11 in July 1990; however, any claims asserted in connection with its guarantee of the Company's Bonds are subject to the provisions governing the contingency claims class of creditors provided for in Southmark's plan of reorganization as adopted. The amount, if any, that ultimately may be paid by Southmark under the guarantee claim cannot be currently determined.

The Trustee has formally notified the Company that it is in default under the mortgage deed and the loan agreement and has requested payment of the delinquent interest by Southmark as guarantor, but to date has taken no action to accelerate payment of the Bonds or foreclosure on the mortgaged property.

On September 30, 1991, the Company filed a preliminary registration statement with the Securities and Exchange Commission with respect to a proposed Exchange Offer (the "Exchange Offer") which proposed certain new securities to be issued in exchange for 100% of the currently outstanding Bonds. Subsequent operating results of the hotel have continued to be adversely affected by the continuing economic recession and consequently the terms of the proposed exchange offer are no longer viable. Accordingly, the company and its financial advisor are currently developing a new restructuring plan, and, in this connection, holding discussions with certain bondholders under confidentiality agreements. The new restructuring plan, when formulated, will be used as the basis for either a new exchange offer or a plan of reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11").

If the company is not successful in its attempt to develop an acceptable restructuring plan,it may be forced to seek protection under Chapter 11.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Results of Operations

	Three Months Ended March 31,		Nine Months Ended March 31,	
Casino Operations	1992	1991	1992	1991
Table games:				
Gross wagering	$ 15,709,000	$ 12,528,000	$ 39,561,000	$ 39,745,000
Win percentage	15.3%	16.7%	15.9%	14.8%
Revenues	$ 2,409,000	$ 2,098,000	$ 6,291,000	$ 5,895,000
Slot machine revenues	379,000	311,000	1,101,000	1,001,000
Departmental expenses	1,849,000	1,705,000	5,022,000	5,222,000

Gross table games wagering increased by $3,181,000 (25.4%) compared to the corresponding quarter of 1991 primarily due to the adverse effect of the Persian Gulf War on 1991 activity. This improvement was partly offset by a decrease in the win percentage of 1.4 percentage points.

Slot machine revenues increased during the same period by $68,000 (21.9%) for similar reasons.

Table games wagering for the nine months ended March 31, 1992 was virtually unchanged from the comparable results for the nine months ended March 31, 1991; however, revenues increased by $396,000 (6.7%) due to a 1.1 percentage point increase in the win percentage.

Slot machine revenues for the nine months ended March 31, 1992 increased by $100,000 (10%) primarily due to increased business from cruise ship passengers and local patrons.

Departmental expenses increased by $144,000 (8.4%) during the third quarter of fiscal year 1992 due to increased gaming activity, but declined by $200,000 (3.8%) for the nine month period ended March 31, 1992 primarily because of planned operating efficiencies.

	Three Months Ended March 31,		Nine Months Ended March 31,	
Hotel Operations	1992	1991	1992	1991
Room revenues	$ 4,228,000	$ 3,856,000	$ 9,901,000	$10,809,000
Departmental expenses	1,095,000	1,023,000	3,013,000	3,212,000
Paid occupancy rate	77.1%	76.2%	69.8%	77.5%
Average daily rate	$ 148.65	$ 140.30	$ 124.72	$ 122.40

Hotel revenues increased by $372,000 (9.6%) during the third quarter of 1992 compared to 1991 due to the adverse impact of the Persian Gulf War on 1991

SOUTHMARK SAN JUAN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

revenues and to revision of a major airline's contract for crew rooms from a minimum of 80 rooms nightly at a rate of $60.00 per room to a minimum of 50 rooms nightly at a rate of $75.00 per room.

Hotel revenues for the first nine months of fiscal 1992 declined by $908,000 (8.4%) due to the continuing impact of the recession in the northeast United States; the metropolitan New York area is the hotel's primary market.

	Three Months Ended March 31,		Nine Months Ended March 31,	
Food and Beverage Operations	1992	1991	1992	1991
Food and Beverage Revenues	$ 1,346,000	$ 1,208,000	$ 3,704,000	$ 3,898,000
Departmental expenses	1,095,000	1,055,000	3,031,000	3,398,000

Food and beverage revenues increased by $138,000 (11.4%) during the third quarter of 1992, but declined by $194,000 for the nine months ended March 31, 1992 compared to the comparable periods of the prior year due to the same factors which affected hotel revenues during these periods.

Departmental expenses as a percentage of revenues declined from 87.3% during the third quarter of 1991 to 81.4% for the same period of 1992 and from 87.2% during the nine months ended March 31, 1991 to 81.8% for the comparable period of 1992. These decreases are primarily the result of improved cost control measures implemented by management.

Selling, general and administrative expenses	1992	1991
Three months ended March 31	$ 2,749,000	$ 2,434,000
Nine months ended March 31	7,848,000	7,653,000

Selling, general and administrative expenses increased by $315,000 (12.9%) during the three months ended March 31, 1992, and by $195,000 (2.5%) during the nine months ended March 31, 1992 compared to the like periods in 1991. Recurring expenses have generally been reduced, primarily attributable to cost savings programs implemented by management. Such reductions have been offset, however, by an increase in debt restructure costs incurred of $300,000 and $730,000, respectively, during the three and nine month periods ended March 31, 1992.

Interest Expense	1992	1991
Three months ended March 31	$ 1,515,000	$ 1,626,000
Nine months ended March 31	4,727,000	5,032,000

SOUTHMARK SAN JUAN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Interest expense decreased $111,000 (6.8%) for the third quarter and $305,000 (6.1%) for first nine months of fiscal year 1992 in comparison with the corresponding periods of fiscal 1991 due to a continuing decline in the interest rates charged on shareholder advances.

Federal Income Taxes

No Federal income taxes have been provided due to losses for both financial and tax reporting purposes.

The Company has not adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Adoption of the requirements of the Statement, presently anticipated in 1993, is not expected to have a material effect on financial position, results of operations or liquidity.

Part II: OTHER INFORMATION

The registrant did not file any reports on Form 8-K during the quarter ended March 31, 1992.

SIGNATURES:

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant had duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHMARK SAN JUAN, INC.
Registrant

Date: May 14, 1992

By: John C Hull
John C. Hull
Vice President and
Acting Chief Financial Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

V92-2264

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended: March 31, 1992 COMMISSION FILE NUMBER 0-14612

Wayne Bancorp, Inc./OH/

(Exact name of registrant as specified in its charter)

Ohio	34-1516142
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
112 West Liberty Street, P.O. Box 550 Wooster, Ohio	44691
(Address of principal executive offices)	(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No_____

Number of shares of Common Stock, Par Value $1.00 per Share, Outstanding at March 31, 1992: 839,240

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WAYNE BANCORP, INC.
FORM 10-Q
For The Quarter Ended March 31, 1992

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PART I - FINANCIAL INFORMATION
ITEM I - FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	March 31, 1992	December 31, 1991
ASSETS		
Cash and due from banks	$10,568,050	$10,475,984
Federal funds sold	7,240,000	6,250,000
Investment securities (market value March 31, 1992 $87,095,888 and December 31, 1991 $94,597,431) (note 2)	85,838,755	92,589,981
Bankers' acceptances and term federal funds sold	0	993,742
Loans (note 3)	165,237,925	162,114,183
Less:		
Unearned Income	3,536,214	4,515,840
Allowance for loan losses	2,159,794	2,058,638
Net Loans	159,541,917	155,539,705
Premises and equipment	5,767,855	5,827,383
Investment in affiliates	373,522	373,522
Other Assets	7,022,489	6,591,392
TOTAL ASSETS	$276,352,588	$278,641,709
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Interest bearing	$213,543,069	$213,375,764
Non-interest bearing	28,598,387	30,132,894
Total deposits	242,141,456	243,508,658
Federal funds sold and securities sold under agreements to repurchase	5,296,014	6,156,636
Other liabilities	2,681,266	3,276,934
Total liabilities	250,118,736	252,942,228
Shareholders' equity:		
Capital stock, common, par value $1	839,240	839,240
Shares authorized - 1,200,000		
Issued and Outstanding - 839,240		
Capital surplus	2,200,000	2,200,000
Retained earnings	23,194,612	22,660,241
Total shareholders' equity	26,233,852	25,699,481
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$276,352,588	$278,641,709

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Three months ended March 31, 1992	1991
INTEREST INCOME:		
Interest and fees on loans and leases.......	$4,034,934	$3,801,694
Interest and dividends on investment securities:		
Taxable.............................	1,295,169	1,390,973
Nontaxable..........................	284,067	184,855
Interest on bankers' acceptances and term federal funds sold........................	6,258	6,944
Other interest income.....................	62,951	114,600
Total interest income................	5,683,379	5,499,066
INTEREST EXPENSE:		
Interest on deposits......................	2,752,754	2,792,303
Interest on repurchase agreements and other borrowings.......................	47,607	129,064
Total interest expense...............	2,800,361	2,921,367
NET INTEREST INCOME........................	2,883,018	2,577,699
Provision for loan losses.................	225,000	225,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES..........................	2,658,018	2,352,699
OTHER INCOME:		
Income from fiduciary activities...........	186,000	165,000
Service charges and fees..................	252,532	219,218
Other non-interest income.................	163,700	202,050
Total other income...................	602,232	586,268
OTHER EXPENSES:		
Salaries and employee benefits.............	976,172	855,223
Occupancy and equipment...................	177,323	179,106
Other non-interest expenses...............	1,080,341	921,932
Total other expenses.................	2,233,836	1,956,261
INCOME BEFORE INCOME TAX EXPENSE...........	1,026,414	982,706
INCOME TAX EXPENSE.........................	282,233	280,444
NET INCOME.................................	$744,181	$702,262
NET INCOME PER SHARE (note 4)	$0.89	$0.84
DIVIDENDS PER SHARE (note 4)	$0.25	$0.25

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Three months ended March 31,	
	1992	1991
OPERATING ACTIVITIES		
Net income	$744,181	$702,262
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	225,000	225,000
Depreciation and amortization	94,905	113,094
Amortization of investment security premiums and discounts	128,078	(28,486)
Decrease (increase) in interest receivable	(123,213)	(262,388)
Increase (decrease) in interest payable	(354,530)	22,121
Other (net)	(549,022)	(413,174)
Net cash provided by operating activities	165,399	358,429
INVESTING ACTIVITIES		
Net decrease (increase) in federal funds sold	(990,000)	(4,200,000)
Purchase of investment securities	(3,154,875)	(7,314,087)
Proceeds from maturities of investment securities	9,778,023	5,302,905
Net decrease in bankers' acceptances and term federal funds sold	993,742	2,000,000
Proceeds from the sale of loans	0	4,959,417
Net decrease (increase) in loans and leases	(4,227,212)	1,575,473
Purchase of premises and equipment	(35,377)	(371,947)
Partnership equity distribution	0	0
Net cash provided by investing actitities	2,364,301	1,951,761
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(1,367,202)	(254,416)
Net increase in short term borrowings	(860,622)	(2,574,493)
Cash dividends	(209,810)	(209,810)
Net cash (used by) financing activities	(2,437,634)	(3,038,719)
Increase (decrease) in cash and due from banks	92,066	(728,529)
Cash at beginning of period	10,475,984	10,105,632
Cash at end of period	$10,568,050	$9,377,103

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of presentation:
The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and such adjustments are of a normal recurring nature. Certain prior year amounts have been reclassified to conform with current financial statement presentation.

2. Summary of book and market values of securities follows:

	March 31, 1992		December 31, 1991	
	Book	Market	Book	Market
U.S. Treasury.............	$17,136,706	$17,416,270	$18,198,337	$18,640,350
Government agencies.......	25,366,840	25,582,723	30,392,784	30,874,041
Federal Agency Pools......	16,037,319	16,314,968	17,081,860	17,534,563
Mortgage backed obligations	5,211,031	5,249,595	5,829,097	5,886,998
Obligations of states and political subdivisions...	20,256,348	20,655,191	19,747,275	20,259,699
Other securities..........	1,830,511	1,877,141	1,340,628	1,401,780
Total................	$85,838,755	$87,095,888	$92,589,981	$94,597,431

3. Loans:
Loans are comprised of the following:

	March 31, 1992	December 31, 1991
Commercial loans..................	$60,778,885	$56,072,324
Real estate loans.................	59,123,960	57,983,259
Installment loans.................	32,692,501	34,358,928
Lease financing...................	3,608,663	3,821,567
Credit card loans.................	4,961,106	5,689,230
HOME loans........................	4,056,263	4,103,353
Other.............................	16,547	85,522
Total................	$165,237,925	$162,114,183

4. Per share data:
Per share data is calculated based on 839,240 average common shares outstanding for both periods presented.

ITEM II - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity And Interest Rate Sensitivity

The main objectives of asset/liability management are to provide adequate liquidity and to minimize interest rate risk. Liquidity is the ability to meet cash flow needs, which in the banking industry, refers to the ability to fund customer borrowing needs as well as deposit withrdawls. The Company's primary source of liquidity is the daily Federal Funds Sold and investment securities, in particular, the investments with shorter maturities. At March 31, 1992, the amount of Federal Funds Sold and investment securities maturing within the next three months was $11.1 million. In addition, other assets such as cash and non-interest bearing deposits with banks, and maturing loans also provide additional sources of liquidity. The Company continues to keep a balance between short and long-term investments that will provide adequate liquidity and at the same time maximize earnings. Based on the Company's captial position, profitability and reputation, the available liquidity sources are considered adequate to meet the current and projected needs of the Company.

Interest rate risk and rate sensitivity is measured by an analysis of the Company's "GAP". GAP is the difference between the volume of assets and liabilities what will mature or reprice within a specific time frame. At March 31, 1992, the Company had a GAP position of -5.43% of total assets for a one year period. A liability sensitive position will benefit the Company in a falling rate environment. A positive GAP will be a benefit in a rising rate environment.

Capital

The Company's capital adequacy is a primary concern in our industry today and is measured by several key ratios. A long standing measure of capital adequacy is the percentage of shareholders equity to assets. At March 31, 1992, the Company's equity-to-asset ratio was 9.5% compared to 9.2% at December 31, 1991. Regulators of the banking industry focus primarily on two other measurements of capital - the risk based capital ratio and the leverage ratio. The risk based capital ratio consists of a numerator of allowable capital components and a denominator of an accumulation of risk-weighted assets. With a significant portion of the Company's investment securities portfolio in government related low risk categories and a fair amount of the loan portfolio in one to four family mortgage loans with a 50% risk assessment, the risk based capital ratio is 15.7% at March 31, 1992 and December 31, 1991. The regulatory requirement for these periods is 7.25% (8.0% by December 31, 1992).

The regulators are looking for institutions to maintain a leverage ratio above 3.0%. The regulators will expect most banks to maintain leverage ratios of 4-5%. The leverage ratio is calculated as equity capital less some intangible assets divided by total assets less the same intangible assets. At March 31, 1992 and December 31, 1991 the leverage ratios were 8.7% and 8.5% respectively.

Financial Condition

Total assets decreased by $2,289,121 or 0.8% from December 31, 1991 to March 31, 1992. The decrease was primarily due to temporary funds deposited by retail customers at December 31, 1991 and withdrawn by March 31, 1992. Total loans increased $3,123,742 due to an increased demand in the commercial and real estate loan areas offset with declines in consumer lending and leasing of Company assets. This increase in loans was funded by maturing investment securities, primarily in the U.S. government agencies portfolio. Total investment securities declined $6,751,226 from December 31, 1991. Government Agency securities fell $5,025,944. Treasury obligations, Agency Pools and Mortgage backed obligations fell a combined $2,724,238. These matured securities were used to fund the loan growth as well as a decline in deposits. Total deposits decreased $1,367,202, however, the ratio of interest bearing to non-interest bearing deposits changed only slightly. The interest-bearing deposits increased by $167,305 while non-interest bearing deposits decreased by $1,534,507 or 5.1%. This has been the trend for the past few years. Securities sold under agreements to repurchase decreased $860,622 or 14.0% from December 31, 1991.

Results of Operations

Net income was $744,181 for the first three months of 1992 compared to $702,262 for the same period in 1991. Earnings per share for the first quarter 1992 and 1991 were $.89 and $.84 respectively. Dividends were $.25 per share for the first quarter 1992 and 1991.

Total interest income for the first quarter increased $184,313 or 3.4% compared to the previous year. This increase is due primarily to an increase in total loans. The increase in total loans is $26.6 million for the one year period March 31, 1991 to 1992. This increase is a result of the acquisition of approximately $18.6 million in loans from the former First Savings and Loan in July of 1991. In addition, real estate lending has increased approximately $26.2 million while lending in the consumer and other areas has declined significantly. The fall in consumer type lending is attributed to the weak economy. This growth in lending is offset by a significant decline in interest rates. The prime rate has fallen from 9.0% in March of 1991 to 6.5% in March of 1992. This decline in interest rates caused a flurry of real estate loan refinancing, as well as moved the weighted interest rate on the Company's earning assets from 9.86% to 8.71%. Total interest expense for the first quarter declined $121,006. Total interest paying deposits' increased approximately $39 million from March 31, 1991. This increase is primarily due to the acquisition of approximately $37 million of deposits from First Savings and Loan, all of which were interest bearing. This increase in deposits was offset by a decline in the weighted interest rate paid from 6.39% at March 31, 1991 to 5.04% at March 31, 1992. The effect of the above mentioned events was an increase in net interest income of $305,319.

Other income increased $15,964 for the first quarter 1992 compared to the same period in 1991. The increase is due to the additional accounts acquired from First Savings that are subject to service charges. Total fiduciary income is up as the trust department recently increased fees that are charged on their accounts. Other non-interest income is down due to the "packaging" of other customer services at lower fees, so as to remain competitive in our market. Salaries and employee benefits increased $120,949 due to an increased number of employees, primarily at the three acquired branches. Occupancy and equipment and other non-interest expense increased a combined $156,626 or 14.2% as deposit insurance increased $43,040, computer expense increased $63,774 and expenses related to the amortization of intangible assets from the acquisition of First Savings and Loan were $34,458. Income tax expense increased $1,789 as pre-tax income increased $43,708, offset by an increase in tax free income from securities of states and political subdivisions of $99,212 over the same period in 1991.

WAYNE BANCORP, INC.

PART II - OTHER INFORMATION

ITEM 1 - Legal Proceedings:
NONE

ITEM 2 - Changes in securities:
NONE

ITEM 3 - Defaults upon senior securities:
NONE

ITEM 4 - Submission of matters to a vote of securities holders:
NONE

ITEM 5 - Other information:
NONE

ITEM 6 - Exhibits and reports on Form 8-K:
NONE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Wayne Bancorp, Inc.
(Registrant)

Date May 4, 1992

David L. Christopher,
Chairman, President & CEO

Date May 4, 1992

David P. Boyle, CPA
Vice President and Controller
Wayne County National Bank
(Chief Financial Officer and
Principle Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1992 OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______________ TO ______________

Commission File Number 2-97252

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WESTERN ENERGY RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

3[illegible]
(I.R.S. Employer
Identification No.)

27782 El Lazo Road, Suite 105
Laguna Niguel, CA 92656
(Address of principal executive offices)

1.30

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

May 8, 1992: 8,339,941 shares, common stock, $.01 par value

PART I. FINANCIAL INFORMATION

Item 1. Financial statements.

INDEX TO FINANCIAL STATEMENTS

Balance sheets, March 31, 1992 and December 31, 1991 2

Statements of operations for the three months ended March 31, 1992 and March 31, 1991 4

Statements of cash flows for the three months ended March 31, 1992 and March 31, 1991 5

Notes to the financial statements, March 31, 1992 6

Item 2. Management's discussion and analysis of financial condition and results of operations.

Liquidity and Capital Resources:

Working capital decreased $2,747 for the quarter ended March 31, 1992, primarily as a result of additions to property and equipment. During the first quarter of 1986, world market prices for crude oil began a steep decline which has unfavorably impacted the value of the Company's crude oil reserves and its ability to obtain debt financing. Although crude oil prices have recovered somewhat, prices paid for natural gas remained depressed and continue to adversely impact the Company's cash flow. Because of the decline in oil and gas prices, as discussed above, the Company will attempt to defer major capital expenditures for development drilling until such time as the oil and gas industry can anticipate an upturn and stability in prices. The Company does not have any senior indebtedness and believes it will have adequate cash flows from oil and gas revenues to continue operations for the forthcoming fiscal year.

Results of Operations:

Three Months Ended March 31, 1992 vs. 1991

General and administrative: The decrease in general and administrative expenses is primarily due to elimination of NASDAQ fees ($4,188), decreased compensation ($6,000) and lower rent expense ($3,200).

Depreciation, depletion and amortization: The decrease is due primarily because carrying costs were reduced in prior periods by provisions for impairments which resulted in lower costs to amortize.

Income Taxes:

The Company believes that the implementation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," would not have a material impact on the Company's financial statements.

WESTERN ENERGY RESOURCES, INC.

BALANCE SHEETS
(Unaudited)

ASSETS

	March 31 1992	December 31, 1991
Current assets:		
Cash	$ 6,521	$ 16,354
Accounts receivable	28,033	22,061
Other current assets	1,043	1,043
Total current assets	35,597	39,458
Property and equipment, at cost:		
Producing oil and gas properties	1,914,773	1,900,889
Office furniture and equipment	52,382	52,382
Less accumulated depreciation, depletion and amortization	(1,691,337)	(1,683,322)
	275,818	269,949
Undeveloped oil and gas properties	197,236	197,236
Total property and equipment	473,054	467,185
Other assets	24,611	24,611
Cost in excess of value assigned to properties acquired (net)	120,672	122,839
	$ 653,934	$ 654,093

The accompanying notes are an integral part of these financial statements.

WESTERN ENERGY RESOURCES, INC.

BALANCE SHEETS

(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31 1992	December 31, 1991
Current liabilities:		
Accounts payable	$ 26,560	$ 25,144
Note payable to stockholder	2,594	5,124
Total current liabilities	29,154	30,268
Stockholders' equity:		
Common stock, $.01 par value, 150,000,000 shares authorized, 8,404,573 shares issued, 8,339,941 shares outstanding at March 31, 1992	84,045	84,045
Paid-in capital	5,713,014	5,713,014
Treasury stock, 64,632 shares	(33,090)	(33,090)
Accumulated deficit	(5,139,189)	(5,140,144)
Total stockholders equity	624,780	623,825
	$ 653,934	$ 654,093

The accompanying notes are an integral part of these financial statements.

WESTERN ENERGY RESOURCES, INC.

STATEMENTS OF OPERATIONS
(Unaudited)

For the Three Months Ended March 31,

	1992	1991
Revenues:		
Oil and gas sales	$ 38,962	44,543
Other	4,145	2,262
	43,107	46,805
Expenses:		
Oil and gas production costs	13,568	14,947
General and administrative	18,294	31,840
Depreciation, depletion and amortization	10,183	16,870
Interest expense	107	–
	42,152	63,657
Net income (loss)	$ 955	$ (16,852)
Net income (loss) per share (Note 2)	$ Nil	$ Nil

The accompanying notes are an integral part of these financial statements

WESTERN ENERGY RESOURCES, INC.

STATEMENTS OF CASH FLOWS
(Unaudited)

For the Three Months Ended March 31,

	1992	1991
Cash flows from operating activities:		
Net income (loss)	$ 955	$ (16,852)
Adjustments to reconcile net income to net cash:		
Depreciation, depletion and amortization	10,183	16,870
(Increase) decrease in accounts receivable	(5,972)	(5,146)
Increase (decrease) in note payable	(2,570)	—
Increase (decrease) in accounts payable	1,416	(7,502)
Net cash provided (used) by operating activities	4,012	(12,630)
Cash flows from investing activities:		
Reductions (additions) to property and equipment	(13,845)	(2,017)
Net cash provided (used) by investing activities	(13,845)	(2,017)
Net increase (decrease) in cash	(9,833)	(14,647)
Cash at beginning of period	16,354	22,909
Cash at end of period	$ 6,521	$ 8,262

The accompanying notes are an integral part of these financial statements.

WESTERN ENERGY RESOURCES, INC.

Notes to Financial Statements
(Unaudited)

March 31, 1992

1. **Accounting Policies:**

   See the registrant's audited financial statements for the year ended December 31, 1991 for a full discussion of the registrant's organization and company background and for a summary of its significant accounting policies. The accompanying Financial statements are unaudited but include all adjustments, consisting only of normal recurring accruals, which management considers necessary for a fair presentation of the registrant's financial condition and results of operations in accordance with generally accepted accounting principles. The results for the three months ended March 31, 1992 are not necessarily indicative of the results for the entire year.

2. **Earnings per Share:**

   Net loss per share is based upon the weighted average number of common shares outstanding during the periods presented. The weighted average shares outstanding during the three months ended March 31, 1992 and March 31, 1991 were 8,339,941 shares and 8,375,989 shares, respectively.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 6. Exhibits and reports on Form 8-K.

(a) Exhibits: None

(b) No reports on Form 8-K were required to be filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

WESTERN ENERGY RESOURCES, INC.

Date: May 8, 1992

/s Richard G. Johnson
Richard G. Johnson
Chief Executive Officer
and Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992 Commission file No. 0-8356

XEDAR CORPORATION
(exact name of Company as specified in its charter)

Colorado
(State of other jurisdiction of incorporation or organization)

84-0684753
(I.R.S. Employer Identification No.)

2500 Central Avenue, Boulder, Colorado
(Address of principal executive offices)

80301
(Zip Code)

Company's telephone number, including area code (303) 443-6441

Securities Registered pursuant to Section 12(9) of the Act
No Par Value Common Stock
Over the Counter

OTC
Title of Class and Name of Exchange

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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Indicate the number of shares outstanding of each of the Company's classes of common stock, as of the latest practicable date

Class	Outstanding as of May 15, 1992
Common Stock, no par value	1,797,224

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XEDAR CORPORATION

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Page No.

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Condensed Balance Sheet, March 31, 1992 and December 31, 1991 1

Condensed Statement of Operations, Three Months Ended March 31, 1992 and 1991 2

Condensed Statement of Cash Flows - Three Months Ended March 31, 1992 and 1991 3

Notes to Condensed Financial Statements 4

Management's Discussion and Analysis of Financial Condition and Results of Operations 6

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PART I - FINANCIAL INFORMATION

XEDAR CORPORATION
CONDENSED BALANCE SHEET
(Unaudited)

	December 31, 1991 (*)	March 31, 1992 (Unaudited)
ASSETS		
Current assets		
Cash	$554,062	$499,971
Accounts receivable	59,673	18,011
Inventories	108,382	144,341
Prepaid expenses	3,710	3,228
Total current assets	725,827	665,551
Long term receivable	227,528	227,415
Property and equipment	183,222	190,033
Less accumulated depreciation	181,022	181,670
	2,200	8,363
Inventories	10,180	10,180
Other assets	10,532	11,487
	$976,267	$922,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 36,485	$ 27,703
Accrued liabilities		
Accrued payroll and commissions	14,067	11,931
Accrued vacation	23,892	27,923
Deferred revenue	27,440	
Total current liabilities	$101,884	$ 67,557
Stockholders' equity		
Common stock	1,607,617	1,607,617
Additional paid in capital	40	40
Accumulated deficit	(733,274)	(752,218)
Total stockholders' equity	874,383	855,439
	$976,267	$922,996

The accompanying notes are an integral part of these condensed financial statements.

*Condensed from audited financial statements.

XEDAR CORPORATION

CONDENSED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended March 31	
	1991	1992
Sales	$ 65,823	$ 67,556
Cost of Sales	81,393	29,199
Gross Profit (Loss)	(15,570)	38,357
Research and Development costs	13,273	23,939
Selling, general and administrative expenses	47,693	39,057
	60,966	62,996
Operating loss	(76,536)	(24,639)
Other income	6,137	5,694
Net loss	$(70,399)	$(18,945)
Weighted average shares outstanding	1,797,224	1,797,224
Net loss per common share	$(.04)	$(.01)

The accompanying notes are an integral part of these condensed financial statements.

XEDAR CORPORATION

CONDENSED STATEMENT OF CASH FLOWS

	Three Months Ended March 31,	
	1991	1992
Net loss	$(70,399)	$(18,945)
Adjustments to reconcile cash net loss to net cash provided by (used in) operating activities		
Depreciation of property and equipment	1,365	648
(Increase) decrease in assets		
Accounts receivable	65,614	41,662
Inventories	22,013	(35,959)
Other assets	(10,218)	(359)
Increase (decrease) in liabilities	13,537	(34,327)
Net cash provided by (used in) operating activities	21,912	(47,280)
Cash flows used in investing activities - capital expenditures	(2,067)	(6,811)
Net increase (decrease) in cash and cash equivalents	19,845	(54,091)
Cash and cash equivalents at beginning of three month period	367,993	554,062
Cash and cash equivalents at end of three month period	$387,838	$499,971

The accompanying notes are an integral part of these financial statements.

XEDAR CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

NOTE 1: BASIS OF PRESENTATION

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of the management, necessary for a fair statement of results of the interim period.

The results of operations for the three month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

NOTE 2: INVENTORIES

At December 31, 1991 and March 31, 1992 inventories consisted of:

	December 31, 1991	March 31, 1992
Raw Materials	$ 5,035	$ 2,893
Work in process	83,291	105,448
Finished goods	30,236	36,000
	118,562	144,341
Less: Long-term portion	10,180	10,180
Current inventories	$108,382	$154,521

Due to management's expectations for the timing of the future sales of components of its product lines $10,180 of inventories were reclassified to long-term at December 31, 1991 and March 31, 1992. The long-term inventory balances are presented net of an allowance for obsolescence of $43,000 at December 31, 1991 and March 31, 1992.

XEDAR CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

NOTE 3: LOSS PER COMMON SHARE

Loss per common share amounts were computed by dividing the net loss by weighted average number of shares outstanding for the period. Eligible stock options have not been considered in the computation since their inclusion would have an anti-dilutive effect for the loss per share computations.

XEDAR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales and Gross Profit

Sales by product line for the first quarter 1991 and 1992 were:

(Amounts in $000)

	1991	1992	Increase (Decrease)
Commercial products	$ 5	$ 51	$ 46
Design and development contracts	61	14	(47)
Single customer production programs	-	3	3
Totals	$ 66	$ 68	$ 2

Commercial product sales for the first quarter 1992 increased by $46,000 as compared to 1991 as a result of better economic conditions.

Engineering contract sales decreased in the first quarter 1992 as compared to 1991. The Company had three small contracts with different companies. For the single customer production programs the Company only had an order for accessories to the XS-504 cameras in the first quarter of 1992.

The gross profit shows an increase from 41% in 1991 to 56% in 1992 as a result of the change of sales mix.

Cost of Sales and Research and Development Costs.

In 1991, there was limited research and development activity. The Company's key engineering personnel performed engineering and manufacturing services (part of direct labor and production burden). Therefore, this action caused high cost of sales (from high direct labor and high applied production burden) and lower research and development costs in 1991. Most of 1992 research and development expenditures were applied to develop a prototype CCD camera for various applications.

General, Selling and Administrative Expenses.

Selling and general and administrative expenses decreased by $8,636 in 1992 as compared to the first quarter 1991 due to lower commission costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company finances its activities from cash reserves and operations. At March 31, 1992 the Company's working capital was $655,371 and it had a current ratio of 9.7 to 1. No bank financing has been used since 1982.

The Company's liquidity position is necessary for in house research and development, to remain competitive in its product line, and to increase production for commercial product sales.

PART II - OTHER INFORMATION

NOT APPLICABLE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

XEDAR CORPORATION

Date 5 - 5 - 92

By Hans R. Bucher

Hans R. Bucher President and
Chief Financial Officer

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FORM 10-Q

10Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from__________to____________

Commission File No. 33-2470-W

XPLEX, INC.
(Exact name of registrant as specified in its charter)

Utah	54-1339719
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

115 East Putnam Avenue, Greenwich, Connecticut 06830
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (203) 661-7800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

On April 30, 1992, the registrant had outstanding 19,500,100 shares of Common Stock, par value $.001 per share.

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

XELEX, INC.

BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 652,427	$ 645,491
Other receivables	--	2,130
Total Assets	$ 652,427	$ 647,621
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 41,665	$ 35,056
Income taxes payable	1,963	1,388
Total Current Liabilities	43,628	36,444
Stockholders' Equity:		
Common stock $.001 par value, 100,000,000 shares authorized; 40,928,671 shares issued	40,929	40,929
Capital in excess of par value	1,221,456	1,221,456
Retained earnings	12,843	15,221
	1,275,228	1,277,606
Less 21,426,571 shares of common stock in treasury at cost:	666,429	666,429
Total Stockholders' Equity	608,799	611,177
Total Liabilities and Stockholders' Equity	$ 652,427	$ 647,621

The accompanying notes are an integral part of these financial statements.

XELEX, INC.

STATEMENTS OF OPERATIONS
[Unaudited]

	Three Months Ended March 31,	
	1992	1991
Revenues:		
Interest income	$ 6,428	$ 6,796
Expenses:		
Consulting and management fees	1,250	—
General and administrative	6,982	120
Total Expenses	8,232	120
Income (loss) before income taxes	(1,804)	6,676
Income tax provision	574	1,776
Net income (loss)	$(2,378)	$ 4,900
Net income (loss) per common share	$ (.00)	$ .00
Weighted average number of common share	19,500,100	19,500,100

The accompanying notes are an integral part of these financial statements.

XELEX, INC.

Statements of Stockholders' Equity
[Unaudited]

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 1991	40,928,671	$ 40,929	$1,221,456	$ 15,221	$(666,429)	$ 611,177
Net loss for the three months ended March 31, 1992				(2,378)		(2,378)
Balance at March 31, 1992	40,928,671	$ 40,929	$1,221,456	$ 12,843	$(666,429)	$ 608,799

The accompanying notes are an integral part of these financial statements.

XELEX, INC.

STATEMENTS OF CASH FLOWS
[Unaudited]

	For the Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income (loss)	$ (2,378)	$ 4,900
Changes in assets and liabilities:		
Decrease in other receivables	2,130	1,710
Decrease in prepaid taxes	—	916
Increase/(Decrease) in accounts payable and accrued expenses	6,609	(18,371)
Increase in Income Taxes payable	575	—
Net cash provided by (used in) operating activities	6,936	(10,845)
Cash at beginning of period	645,491	636,046
Cash at end of period	$652,427	$625,201

Supplemental Disclosure of Cash Flow Information:

	1992	1991
Cash paid during the year for:		
Income taxes	$ —	$ 610
Interest	—	—

The accompanying notes are an integral part of these financial statements.

XELEX, INC.

Notes to Financial Statements

March 31, 1992

Note 1. The Company

Xelex, Inc. (the "Company") was incorporated on September 18, 1985 in the State of Utah. The Company subsequently completed a sale of its common stock to the public. The Company is actively seeking to invest in any and all types of operating assets, properties and businesses. The Company has not, at the present time, paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "Commission"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures are adequate to make the information presented not misleading.

In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the financial position of the Company as of March 31, 1992 have been made. The results for the three months ended March 31, 1992 are not necessarily indicative of the results to be expected for the entire year. These financial statements and notes should be read in conjunction with XELEX, Inc.'s Annual Report on Form 10K for the year ended December 31, 1991.

Note 2. Summary of Significant Accounting Policies and Related Matters

Earnings Per Share

The computation of earnings per share of common stock is based upon the weighted average number of shares outstanding during the periods.

Note 3. Related Party Transactions

(a) Office Rental

The Company utilizes the office space of Milley & Company ("M&C"), a private investment firm, without change. The officers and directors of the Company are also principals of M&C.

Note 3. Related Party Transactions (continued)

(b) Management Compensation

Officers or directors may be paid a maximum of $20 per hour for actual hours devoted to the Company's business. It is currently estimated that officer and director compensation will not exceed $5,000 per year for all officers and directors as a group, until such time as the Company may require full or extensive time commitments from any officer or director. Officers and directors will also be reimbursed for actual out-of-pocket expenses incurred on behalf of the Company.

Note 4. Income Taxes

The components of income tax expense are as follows:

	Three Months Ended March 31,	
	1992	1991
Federal	$ —	$ 859
State	574	917
	$ 574	$1,776

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company was incorporated on September 18, 1985 in the State of Utah for the purpose of investing in any and all types of operating assets, properties and businesses. In October 1985, the Company issued 2,500,000 shares of Common Stock to its officers, directors and to others for the aggregate sum of $20,000. On February 28, 1986, the Securities and Exchange Commission (the "Commission") granted effectiveness to a Registration Statement on Form S-18 filed by the Company in the Commission's Washington Regional Office. The Registration Statement was for an offering of 8,000,000 shares at $.05 per share ($316,683 net to the Company). The offering was a "blind pool" offering. The Company sold all 8,000,000 shares before terminating the offering which closed April 30, 1986. On May 5 and May 6, 1987, the Company sold, in the aggregate, an additional 9,000,100 shares of its Common Stock in private transactions for an aggregate price of $180,002. On April 21, 1988, the Company sold an additional 21,428,571 shares of its Common Stock in a Regulation D (Rule 505) transaction for a price of $750,000. On November 15, 1989, the Company purchased these 21,428,571 shares for an aggregate cash price of $666,429.

The Company has been, and presently is, seeking potential acquisitions of technologies, product distribution rights, properties, or privately held companies. The Company intends to fund the investigation and analysis of potential acquisitions with a portion of the offering proceeds. To date, the Company's only business activities have been the formation of the Company, the sales and purchase of shares of its Common Stock, the investigation of potential acquisitions and the engaging in preliminary discussions with potential acquisition candidates.

Liquidity and Capital Resources. Presently, the Company's assets consist primarily of cash and cash equivalents. The Company is presently seeking potential acquisitions of private companies, technologies or product distribution rights. Management believes that any such acquisition may be made by issuing shares of the Company's authorized but unissued Common Stock or by the incurrence of indebtedness for borrowed money. The Registrant's liquidity, capital resources and financial condition will be significantly different subsequent to the consummation of any acquisition.

Results of Operations. The Company's operating activities consist of investigating potential acquisitions, preliminary discussions with potential acquisition candidates and entering into arrangements with additional investors. The Company's assets, consisting primarily of cash and miscellaneous receivables, are on deposit in various interest-bearing and non-interest bearing accounts pending the consummation of any acquisition.

PART II - OTHER INFORMATION

Item 5. Other Information

On April 30, 1992 the Company's Board of Directors accepted the resignation of Mr. Roger L. Keech as a member of the Board of Directors, and as President and Chief Executive Officer, effective April 30, 1992.

The Board of Directors declared the Board membership opened by Mr. Keech's resignation as vacant and established the number of directors at three in accordance with the Company's Bylaws.

Effective April 30, 1992, the Board of Directors, of which Alexander M. Milley is a member, elected Mr. Milley to the office of President of the Company and appointed him Chairman of the Board.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

XELEX, INC.

By ____________________________
Thomas R. Druggish
Vice President Finance
and Principal Financial
Officer

Dated: April 30, 1992